MEMORANDUM

TO: TOM FREEDMAN

FROM: JULIE MIKUTA

RE: DAY CARE

DATE: JUNE 24, 1997

SUMMARY

The first part of this memo summarizes the journal article, "Day Care and Tax Policy"[1] which explores the relationship between day care funding and the quality of care received by different income groups. It argues that quality, affordability and distribution concerns are the most significant issues in discussions of day care. After summarizing the various types of day care and their funding mechanisms, it looks at why the Tax Reform Act of 1986, and the Family Support Act of 1988 have decreased the number of taxpayers who either claim or qualify for the dependent care credit by almost 30%. The paper ends with a discussion of alternative funding. Attached is an overview of the types of day care. Interspersed with this discussion are statements from the Children Defense Fund's Brief, *Key Facts About Early Child Care and Education* [CDF, 1997].

The memo also describes recent legislative activity concerning Day Care.

I. THE NEED FOR MORE QUALITY DAY CARE

The increase in number of working mothers has placed a strain on the day care system by creating a shortage of supply at an affordable price [p. 6]. These facts support this statement:

- According to a report by the Carnegie Corporation, *each day 13 million children* spend part or all of their day in non-parental care[2]
- In 1991, *80% of parents of preschool children* (ages 3-5) reported their children were in/ had been in some form of non-parental care[3].
- In 1995, *62% of women* with children younger than 6, and 77% of women with children ages 6-17 were in the *labor force* [CDF Study, A-2].
- A 1990 study found that nearly 1/6 of *working mothers reported losing some time* from work

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[1] Sered, Giselle (1995), "Day Care and Tax Policy" in *The American Journal of Tax Policy*, v 12, p 159 -206.

[2] Carnegie Corporation of New York, *Years of Promise: A Comprehensive Learning Strategy for America's Children* (New York: Carnegie Corporation, Sept 1996), p 53

[3] National Center for Education Statistics, *Profile of Preschool Children' Child Care and Early Education Program Participation* (Washington, DC: US Dept of Education, 1993), NCES 93-133, p.7.

during the previous month due to a failure in their regular child care arrangements.[4] Similar studies have found higher rates for low-income mothers.[5]

- GAO (1994) found that increasing the availability of child care subsidies would *increase poor mothers' work participation rates* from 29% to 44%, and near-poor mothers' rates from 43% to 57% [CDF Study, C-1].
- A 1994 study found that 12% of child care centers provided *less than minimal quality care* and only 14% received a rating of good quality care for children overall. [Less than minimal quality care is care that jeopardizes children's health, safety and development; 40% of the rooms serving infants received the less than minimal quality rating.][6]
- *Low salaries* are a critical cause of low quality in child care, because they fuel high turnover rates [CDF Study, B-7].

II. FUNDING OF DAY CARE

The federal government plays a key role in day care funding.

A. Direct Grants

1. *Head Start* (child development program for children in families below the poverty line)

- The Federal government funds cover 80% of costs; 20% contributed by local communities, although some states assist local communities in meeting these costs [p 28].
- In FY'97, the government spent $3.98 billion on Head Start. [CDF Study, J-4]
- In 1996, the program served about 752,000 children.[CDF Study, J-4]
- Providers must be licensed by a state agency, and the quality of care is generally high [p 29].

2. *Social Security Block Grants* [SSBG]

- SSBG subsidizes services, including day care, typically to low-income families [p 30].
- The funding levels have remained stagnant since it was turned into a block grant in the early 1980s [CDF Study J-4].
- The SSBG was cut by 15% in the 1996 welfare Act; in FY 1997, federal funds = $2.5 billion, but it is not known how much of this is spent on child care [CDF Study, J-4].
- Most of these subsidies go towards not-for-profit day care, which generally provides high quality care [p 31].
- Available spaces may be inaccessible to parents, so some funded day care is wasted [p 32].

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[4] Hofferth, *National Child Care Survey, 1990* (Washington DC: The Urban Institute Press, 1991), p. 33

[5] NY City Dept of Business Services, *A Child Care Study of the New York City Garment Industry* (NYC, 1991).

[6] Helburn, et al. *Cost, Quality and Child Outcomes in Child Care Centers: Executive Summary* (Denver: University of Colorado), p.2

B. Other Subsidies

These subsidies-- which include tax expenditures, tax subsidies, and vouchers-- allow less control over day care providers [p 32]. In theory, these subsidies are available to all households, but in practice many low-income households are not able to receive the benefits.

1. *The Dependent Care Tax Credit*

- permits taxpayers who have employment-related expenses for the care of a child[7] under the age of 13 to reduce their federal income tax liability by amount equal to a portion of these expenses up to $2,400 for one child or $4,800 for 2 or more children [p 34]
- in 1996, federal funds claimed = $2.8 billion; in 1995, federal funds claimed =$2.7 billion [CDF Study, J-5]
- only 13% of the credit in 1994 went to families with an adjusted gross income of less than $20,000 per year; 41% went to families with incomes above $50,000 [CDF Study, J-5]
- available only to employed taxpayers, not those in job training and education [p 36]
- imposes almost no quality requirements on day care providers [p 40]

i. *Effect of the Tax Reform Act of 1986*

- The Act decreased the tax liability of many low-income taxpayers to the point that they are not eligible [p 36]. (The credit is not refundable.)
- The Act indexed other tax items for inflation, but not the credit.
- The paper's author suggests that significantly more low-income taxpayers [than higher-income individuals] would claim the credit if they could receive a benefit from it [p 37].

ii. *Effect of the Family Support Act of 1988*

- The Act requires taxpayers claiming the credit to give the day care provider's name, address, and taxpayer identification number (TIN) [p 39].
- Unregistered providers do not have a TIN, but as their costs may be significantly less than registered centers it is often financially wise for low-income taxpayers to forego the credit and pay these low rates throughout the year [p 39].
- The Act also requires taxpayers receiving employer dependent care assistance to reduce by the amount of that assistance the amount they claim under the dependent care credit [p 39].

2. *Employer-Related Tax Provisions* [p 41]

- section 129 of the Tax Code permits employers to make available to their employees, free of tax, up to $5,000 per year for child care expenses through a dependent care assistance program [p 41].

a. *Cafeteria Benefit Plan Dependent Care Assistance Programs* [p 42]

- most commonly mechanism used by employers
- employees choose among a variety of nontaxable benefits, including a qualified day care program

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[7] Or other "qualifying individual", including spouse or other dependent who is physically or mentally incapable of self-care.

- as employees must deduct employer-assistance, they must determine whether to use this type of assistance or claim the dependent care credit

b. *Employer-Provided Day Care* [p 43]
- no federal law gives a tax credit to employers who provide day care, although some states do
- programs offered include resource and referral services, day care centers, sick child care programs, local day care provider discounts, voucher programs, after school hotlines and financial support for day care facilities
- employers benefit from employee loyalty, reduced absenteeism, down time and turnover, enhanced recruitment, and elevated employee morale
- 1991 survey found that 2-7% of employers provide on-site day care [p 44]
- usually not offered by employers of low-income workers [p 45]
- employer on-site care is usually of high quality [p 46]
- The state of Florida has set up a program where they will provide up to $2 million in matching funds for child care subsidies for low-wage workers to match funds invested by employers whose employees rely heavily on public subsidies [CDF Study, J-8].

3. *Tax Exemptions for Not-for-Profit Day Care Centers*

4. *Voucher System*
- offer high quality as measured by parental satisfaction and child development [p 48]
- usually run by a federal or state government agency or an employer; vouchers are one form of payment under SSBG [p 48]
- As vouchers can be used only for licensed or registered providers, they give government control over quality [p 48].
- Employer voucher programs are not subsidized by the government [p 49].
- Author suggests that vouchers could be used to target low-income families [p 49].

III. ALTERNATIVE FUNDING MECHANISMS

- Regulation of quality through licensing requirements and quality standards for direct grants has not been sufficient. Licensed day care is more expensive than unlicensed, so these requirements are not likely to improve accessibility [p 50]. A 1994 study found that states with stronger licensing standards had fewer poor-quality child care centers[8]
- Training could be required of all providers, although this may make the programs inaccessible due to increased fees [p 51]. In 1996, 41 states did not require family child care providers to have *any* training prior to serving children [CDF, B-4].
- "By not providing affordable day care, the federal government actually rewards use of lower quality formats such as unregulated family care and self-care." [p 51]
- "A carefully designed voucher program could enable the government to regulate quality, target low-income children, and offer parents choices, at least among licensed providers." [p 51]

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[8] Helburn, et al. *ibid*, p 4.

- A 1990 survey found that most respondents preferred direct subsidies to tax credits [p 52].
- The suggestions of the American Bar Association's Task Force on the Child Care Credit in 1990-- to make the credit refundable, available on an advance payment basis, and adjusted for inflation and family size-- could be implemented along with the creation of a new licensing agency to improve the current system [p 51-52].
- Tax benefits could be given to employers who create community/ employee day care [p 55].
- Ultimately, the best combination may be that of vouchers and SSBG programs [p 55].

IV. RECENT ACTIVITY IN CONGRESS

Pending Bills

There have been several bills to amend the Tax Code of 1986 to benefit users and providers of day care introduced to the 104th and 105th Congresses. The attached table lists the current bills.

S.82: "Child Care Infrastructure Act of 1997"-- Sen Kohl; co-sponsored by Sen Moseley-Braun and Sen Hatch

- to amend the 1986 Internal Revenue Code to allow an employer-provided child care credit for qualified expenses
- Qualified expenses are: to build, rehabilitate, or expand a qualified child care facility, or subsidize or contract for such services, for an employer's employees.
- Taxpayer [employer] could receive 50% of qualified expenses for the year, up to $150,000.
- The Bill was referred to the Committee on Finance (1/21/97).

1990 Programs

In 1990, Congress created two programs-- the Child Care and Development Block Grant (CCDBG) and the At-Risk Child Care Program. These programs provide subsidies to low-income working family. By 1994, the federal government was helping to pay for the care of 1.4 million low-income children, largely through vouchers [CDF Study, J-2].

The Welfare Act and Child Care

A new version of the CCDBG replaced the four existing federal child care programs. It provides money to states to fund child care subsidies for low-income working families. The CCDBG requires states to spend at least 4% of the total funds to address the problems of poor child care quality and inadequate supply. In 1997, the total federal funds available were $2.87 billion (assuming states put up necessary matching funds).

of Working Wives and Mothers, 21 BUFF. L. REV. 49 (1971).

n3 ALLAN C. CARLSON, FAMILY QUESTIONS: REFLECTIONS ON THE AMERICAN SOCIAL CRISIS 11-12 (1988); Robert H. Knight, Federal Support for Early Childhood Programs: Caution is Needed, HERITAGE FOUND. REP. No. 821 (Mar. 29, 1991); Robert Rector, Fourteen Myths About Families and Child Care, 26 HARV. J. ON LEGIS. 517, 541-42 (1989).

n4 See Rights of Children, 1972: Hearing Before the Subcomm. on Children and Youth of the Senate Comm. on Labor and Public Welfare, 92d Cong., 2d Sess. 559 (1972) (report by Mary K. Keyserling, Director, Windows on Day Care Project); Child Care Data and Materials, 1977: Hearing Before the Senate Comm. on Finance, 95th Cong., 1st Sess. 25-26 (1977) (material by Sen. Russell B. Long).

n5 Day care consists of the temporary care of children when parents are working or otherwise unavailable to care for their own children. While the overall care of children is also an issue of tax policy, this paper is limited to the discussion of temporary care only.

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Today, these projections have come true. The increase in the number of mothers participating in the work force and in the number of nontraditional households, i.e., single-parent households and dual-parent households with both parents working, has placed a [*160] strain on the day care system. The number of children under six years with working mothers almost doubled between 1970 and 1988, from 5.6 million n6 to 10.5 million. n7 Though there is debate over whether the trend will continue, n8 the past increases in mothers' participation in the labor market are significant in and of themselves.

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n6 Long, supra note 4 (19.6 million children under age 6 in 1970 total).

n7 NATIONAL RESEARCH COUNCIL, WHO CARES FOR AMERICA'S CHILDREN? 17 (1990). Between 1970 and 1988 the proportion of women with children under age 6 who were in the work force rose from 30% to 56%. In 1970, 28.7% of mothers with children under age 6 were in the labor force; by 1990, this percentage had doubled, reaching 58.2%. Jonathan R. Veum & Philip M. Gleason, Child Care: Arrangements and Costs, 114 MONTHLY LAB. REV. 10 (Oct. 1991).

n8 Some expect that the influx of women into the workplace will continue. If this is true, by 1995 over two-thirds of children under age 6, 15 million children in all, will have working mothers. J. Andrew Hoerner, Quality of Child Care Dips in Face of Increased Demand, 45 TAX NOTES 811 (1989); CHILDREN'S DEFENSE FUND, THE STATE OF AMERICA'S CHILDREN 1991 at 39 (1991). Others, however, do not expect the rate of influx to continue because of a slowing rate

of increase in the population of women in their childbearing years in this decade. Darrel P. Wash & Liesel E. Brand, Child Day Care Services: An Industry at a Crossroads, 113 MONTHLY LAB. REV. 17, 22 (Dec. 1990). Given this slower rate of increase, while the overall participation of women age 20 to 44 in the labor force is expected to increase by 4.4 million between 1988 and 2000, most of this increase will be among older women with an actual decrease "in the number of working women between the ages of 20 and 29, who are most likely to have preschool children." Wash & Brand, supra, at 22.

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Currently not only do more children have working mothers, but more children are living in nontraditional households. Today 25 percent of working mothers, over 5 million women, are single mothers. n9 The percentage of children under 18 living with only one parent n10 doubled from 1970 to 1988 from 12 percent to 24 percent, primarily because of the increase in the number of divorces and out-of-wedlock births. n11 Moreover, these statistics merely reflect the numbers of single-parent households at a single moment. An estimated 60 percent of children born today will spend at least some portion of their childhoods in a one-parent situation. n12 Even [*161] children in dual-parent households are today more likely to live in nontraditional households than traditional ones. The percentage of dual-parent households with working mothers increased from 43 percent in 1976 to 62 percent in 1987. n13

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n9 Nat'l Comm'n on Working Women of Wider Opportunities for Women, Women, Work and Child Care (1989).

n10 BUREAU OF THE CENSUS, CURRENT POPULATION REPORTS, SPECIAL STUDIES, SERIES
P23, NO. 163, CHANGES IN AMERICAN FAMILY LIFE 14 (Aug. 1989) (almost 90% of children living in a single-parent household live with the mother).

n11 In 1988, 38% of children living in single-parent households did so because of divorce, 25% because a spouse was absent, and 31% because of an out-of-wedlock birth. In 1960, the percentages were 23%, 46%, and 4%, respectively. The large increase in the outof-wedlock percentage may be due to an improvement in data collection. The majority of Afro-American children--54%--lived in single-parent households; 30% of Hispanic children lived in single-parent households; and 19% of Caucasian children lived in single-parent households. Id. at 15, Figure 13.

n12 Id. at 16, Figure 14.

n13 Id. at 18, Figure 12.

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The increase in nontraditional households is exacerbated by the dispersion of the family and the decline of informal caring networks. Divorce, out-of-wedlock births, smaller families, and increased geographic mobility together weaken ties with extended families. n14 In addition, because more women have entered the work force, fewer neighbors or relatives are available to give informal care because they too are working. n15

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n14 Wash & Brand, supra note 8, at 20. Some New York garment workers say they are so desperate for day care that they keep their small children in cardboard boxes beside them at work or send them overseas to be reared by grandparents. In a survey of 1,500 members of the International Ladies' Garment Workers Union, two-thirds of respondents had no one at home to care for a child. H.J. Cummins, Garment Workers Face a Crisis in Child Care, NEWSDAY, Nov. 13, 1991, at 31.

n15 SAR A. LEVITAN & ELIZABETH A. CONWAY, FAMILIES IN FLUX: NEW APPROACHES TO MEETING WORKFORCE CHALLENGES FOR CHILD, ELDER, & HEALTH CARE IN THE 1990'S 14-15 (1990).

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These changes in mothers' participation in the work force and household structure are reflected in the gradual shift in recent years in the forms of day care used. Use of organized day care centers and self-care has been increasing, n16 while the amount of care by relatives has been decreasing. n17 This suggests a growing demand for organized day care. Although it has been suggested that this demand is being met because not many children are left alone to care for themselves, n18 a day care shortage may still exist. n19 Current [*162] usage statistics reveal what forms of day care employed women are using; they do not reveal what unemployed women would be doing if they had access to more affordable and higher quality day care. For example, though the influx of mothers into the work force has been tremendous, many nonworking mothers would seek work if they had access to adequate day care n20 and many part-time working mothers would choose to work full-time. n21 The shift to the use of organized care joined with the desire of mothers to have access to adequate day care suggests that, though the statistics do not reveal a shortage, a shortage--whether perceived or actual--seems to exist.

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n16 For children under the age of five, the amount of care by organized day care facilities has increased from 13% to 24%. In the fall of 1987 the following primary child care arrangements were used by employed mothers for children under age five: family care (including fathers), 24%; in-home nonfamily caretakers, 6%; home day care centers, 22%; organized day care facilities, 24%; parental care (mother working at home or away from home), 9%. BUREAU OF THE CENSUS, CURRENT POPULATION REPORTS HOUSEHOLD ECONOMIC STUDIES, SERIES P-70, NO. 20, WHO'S MINDING THE KIDS (July 1990) (referring to Child Care Arrangements:

Winter 1986-87, at 5, Table C). For children over age five, the amount of self-care increased from 11% to 22%. BUREAU OF THE CENSUS, CURRENT POPULATION REPORTS, SPECIAL STUDIES, SERIES P-23, NO. 149, AFTER-SCHOOL CARE OF SCHOOL-AGE CHILDREN: DECEMBER 1984, at 17 & 19, Tables 6 & 7 (Jan. 1987).

n17 For children under age five, the amount of care by relatives has declined from 45% to 24%. In the fall of 1987 primary child care arrangements used by employed mothers for children under age five: family care (including fathers), 24%; in-home nonfamily caretakers, 6%; home day care centers, 22%; organized day care facilities, 24%; parental care (mother working at home or away from home), 9%. WHO'S MINDING THE KIDS, supra note 16, at 5, Table C.

n18 This is sometimes called "self-care." Fewer than 1% of children under 5 are caring for themselves. Hoerner, supra note 8, at 811; see also U.S. DEP'T OF LABOR, REPORT OF THE SECRETARY'S TASK FORCE, CHILD CARE: A WORKFORCE ISSUE, 155-60 (Apr. 1988). Over 20% of children between ages 5 and 14 care for themselves after school. WHO'S MINDING THE KIDS, supra note 16, at 19, Table 6.

n19 In arguing that a shortage does not exist, Rector implicitly supports the argument that a shortage does exist. Rector, supra note 3. He describes the shortage of day care at "below-market" rates. But, in essence, he is saying that many who are in the market for day care cannot bear the cost of quality day care. He argues that the government should not subsidize day care directly or through tax relief, but should allow families to decide how they want to spend their incomes. Rector, supra note 3, at 524.

n20 In 1982, 26% of nonworking mothers of children under age five would have sought work if "reasonably-priced child care were available." This desire to work is even greater for nonworking mothers in families with incomes below $ 15,000, 36% of whom would have sought work. The greatest desire to work came from nonworking single mothers, among whom 45% would have sought work if child care were available. David E. Bloom & Todd P. Steen, The Labor Force Implications of Expanding the Child Care Industry, 9 POPULATION RES. POL'Y REV. 26 (1990) (special issue). Based on a recent survey, it is estimated that in 1986, 1.1 million young mothers did not seek or hold jobs because they could not find affordable, quality child care. This group of mothers who could not find child care represented almost 14% of the total population of mothers age 21 to 29 years old in 1986 and accounted for 23% of those who were out of the labor force for that year. Cattan notes that this proportion is much higher than that found in early studies, most likely because the respondents were younger and the survey covered a full year rather than one time. Peter Cattan, ChildCare Problems: An Obstacle to Work, 114 MONTHLY LAB. REV. 5 (Oct. 1991).

n21 Twenty-one percent of part-time working mothers would have worked more if additional satisfactory child care were available at a reasonable cost. BUREAU

OF THE CENSUS, CURRENT POPULATION REPORTS SPECIAL STUDIES, SERIES P-23, NO. 129, CHILD CARE ARRANGEMENTS OF WORKING MOTHERS: JUNE 1982 at 15-18 (Nov. 1983) (referring to Table F Percentage of Employed Mothers Who Would Work More Hours Per Week if Additional Satisfactory Child Care Were Available at a Reasonable Cost). In 1982, 13% of working mothers of children under age five would have worked more if higher quality or additional day care had been available. Bloom & Steen, supra note 20, at 26.

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Ultimately, this shortage is most likely not an absolute shortage of supply. Rather, it is a shortage of supply at an affordable price. n22 Mothers who would have worked if they had access to [*163] adequate day care defined "adequate" as "reasonably priced" day care. n23 Policy researchers have consistently found that the high cost of day care has a significant negative effect on mothers' participation in the labor market. n24

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n22 See generally U.S. DEP'T OF LABOR, REPORT OF THE SECRETARY'S TASK FORCE,
CHILD CARE: A WORKFORCE ISSUE 161-65 (Apr. 1988).

n23 Bloom & Steen, supra note 20, at 26.

n24 See generally Rachel Connelly, The Importance of Child Care Costs to Women's Decision Making, in THE ECONOMICS OF CHILD CARE 106, 106-16 (David M. Blau ed., 1991); but see Sandra L. Hofferth, Comments on The Importance of Child Care Costs to Women's Decision Making, in THE ECONOMICS OF CHILD CARE 119, 119-26 (David M. Blau ed., 1991) (stressing that while cost of day care is a key factor in the work force participation decision, income and quality of the arrangement should also be considered).

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Regardless of the specific cause of this shortage, twenty years after the clamoring of early day care advocates, we are confronted with a changing family and societal environment that has increased the need for accessible day care. Yet, it is unclear how to meet this need. The current day care system has not been carefully structured. Rather, it has been pieced together to meet immediate goals. n25 As a result, in its current state the day care system is a complex combination of forms of care funded by a wide variety of sources, including federal, state and local governments, businesses, and individuals.

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n25 LEVITAN & CONWAY, supra note 15, at 61-62.

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A highly varied demand structure for day care complicates the task of providing affordable sources of supply. Day care users have varied needs. Parents work full and part time, flexible shifts, and nonstandard work weeks. Infants and preschoolers require full-day care while school children may require only after-school care. Even households with at least one nonworking parent use day care--especially for preschoolers--either for the benefit of the children or for the parents' training and education. Many of these day care users are unable to afford quality day care. To meet this complicated demand structure, an adequate day care system would have to offer choice to its users.

Legislative proposals reflect a variety of mechanisms for achieving day care reform. n26 The Child-Care and Development Block Grant n27 that passed in late 1990 addresses some of the day [*164] care needs of low-income families. But there is still no clear agenda for the future. This paper does not attempt to establish this longterm agenda, but rather attempts to determine which funding mechanisms are the most sensible in the short-term given the quality, affordability, and distribution concerns surrounding the current day care system. Part II of this paper discusses the day care system, i.e., quality measurements within the system, the day care formats available, and the affordability and the users of those formats. Part III discusses the funding mechanisms for the current day care system and how they affect the quality, affordability, and distribution of day care. Part IV proposes alternative funding mechanisms to better satisfy these quality, affordability, and distribution concerns.

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n26 J. Andrew Hoerner, Credits Where Credits Are Due: Child Care and Family Dynamics, 45 TAX NOTES 143 (1989) (In 1989, over 40 bills were introduced by both Democrats and Republicans to assist families with children).

n27 The Juvenile Justice Act, Pub. L. No. 102-586, section 8(c)(1), 106 Stat. 5036, codified as amended at 42 U.S.C. sections 9858-9887 (Supp. IV 1992). The grant appropriates funds to the states for improving and expanding the availability of day care for children under 13 years of age and in families with income below 75% of the state median income: $ 750 million in FY 1991, $ 825 million in FY 1992, and $ 925 million in FY 1993.

Seventy-five percent of the funds may be used for child care services or activities to increase availability and quality of child care. The measure requires that all child care services provided through this share of funds would be available through a grant, contract, or certificate to provide parents with a maximum range of choices among child care providers, including care by relatives and care in neighborhood homes, churches, and schools. The remaining 25 percent must be used for quality improvement activities and early childhood education and latchkey programs. Summary of the provisions prepared by the office of Sen. Christopher Dodd (D-Conn.). Such programs could encompass grants or loans to help providers meet state or local standards; activities to improve

enforcement of state standards and licensing and regulatory requirements; to provide training and technical assistance, and to improve child care providers' salaries. States would receive the funds through a formula that takes into account the number of children under age 5 and the number of children receiving assistance through the state's school lunch program. Children of working parents would be eligible for the program if they are below age 13 and their family income is below 75 percent of the state median income.

Child Health Credit, Expanded EITC Included in Reconciliation Compromise, 17 PENS. REP. (BNA) No. 45, at 1904 (Nov. 5, 1990).

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II. THE DAY CARE SYSTEM

This section discusses four key aspects of the day care system--the quality measurements within the system, the day care formats available, and the affordability, and the users of those formats. Most of the current research focuses on the factors that create quality day care. Before discussing individual formats of care and the affordability and the users of those formats, it is necessary to discuss the criteria by which quality is evaluated.

Much of the debate over day care stems from the conservative critique that care by a mother is superior to care by anyone else. n28 [*165] This claim arose from early studies that concluded that long-term maternal deprivation and institutionalization were harmful to children's development. Reassessments of these studies and subsequent studies have demonstrated that while attachment is critical for the healthy development of a child, attachment with a mother is not necessary. Rather, a child can thrive with multiple attachments as long as the caregivers provide a nurturing, stimulating, and stable environment. n29 In short, it is not caretaker identity, but caretaker quality that creates superior day care. n30

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n28 Richard T. Gill, Day Care or Parental Care?, PUB. INTEREST, Fall 1991, at 9-11; Sheila B. Kamerman & Alfred J. Kahn, The Day-Care Debate: A Wider View, PUB. INTEREST, Winter 1979, at 81-82; CARLSON, supra note 3, at 11-12; Knight, supra note 3, at 3-4.

n29 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 48-50.

n30 See generally id. at 45-83.

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Moreover, it seems clear that day care does not harm children older than one year and may even benefit them. It is difficult to draw specific conclusions from the research because

of methodological problems such as self-selection and a lack of study of family day care as opposed to organized center day care. In spite of this difficulty, research findings, recently summarized by the National Research Council, demonstrate that for children of all ages day care is not harmful and may be beneficial depending on the quality of care. n31

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n31 Id. (research findings also demonstrate that the quality of day care and family care are linked).

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A. QUALITY MEASUREMENTS WITHIN THE SYSTEM

Because the effect of day care is linked to the quality of day care, it is critical to understand what "quality" means. Two sets of definitions of quality coexist--quality as measured by child development and quality as measured by parental satisfaction. The differences between these definitions pose a complex problem in developing goals for day care.

1. Quality As Measured by Child Development

Quality measured by its impact on child development is generally judged by six features: group size, staff/child ratios, caregiver training, caregiver stability and continuity, structure and content of daily activities, and facility layout. n32 To varying degrees, re- [*166] search supports the value of each of these features in enhancing child development. There is consensus among researchers that smaller group size is associated with higher quality interaction. n33 The findings for staff/child ratios are less consistent. While high staff/child ratios have been shown to improve care quality for infants (less than one year old) and toddlers (one to two years old), its effect on care for preschoolers (three to four years old) is not proven. n34 Caregiver training in child development definitely affects the quality of care. While overall caregiver education may also affect the quality of care, experience in child care alone does not seem to be a significant factor.

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n32 In the context of center day care and family day care. See infra section II.B. Hofferth, supra note 24, at 129; David M. Blau, The Quality of Child Care: An Economic Perspective, in THE ECONOMICS OF CHILD CARE 145-48 (David M. Blau ed., 1991); WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 84-107. In family day care, licensing statutes and quality of care may also be related. But there may be a self-selection element involved; additional research needs to be conducted before any conclusions can be reached. Because estimates indicate that approximately 60% of family day care homes are unregulated, this finding should guide the goals of day care to a limited extent. Blau, supra, at 95-96.

n33 Interestingly, while group size is regulated by almost all states for family day care, it is regulated by less than half of the states for center day care. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 88.

n34 All states except one regulate staff/child ratios although there is considerable variation in the regulations, which often exceed the levels suggested by research. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at Appendix A.

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Fewer studies have researched the final three structural features: caregiver stability and continuity, structure and content of daily activities, and facility layout. But researchers have consistently concluded that stable care n35 and strong caregiver relationships, child-initiated organized learning, and facilities separated into activity areas positively affect a child's development. n36 Professional standards reflect these findings and incorporate them into specific practices.

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n35 DANA E. FRIEDMAN & ELLEN GALINSKY, WORK AND FAMILY TRENDS, FAMILIES AND WORK INSTITUTE 2 (1991). CHILD CARE EMPLOYEE PROJECT, WHO CARES? CHILD CARE TEACHERS AND THE QUALITY OF CARE IN AMERICA, FINAL REPORT: NATIONAL CHILD CARE STAFFING STUDY (1989) [hereinafter CHILD CARE EMPLOYEE PROJECT]. The annual turnover rate in day care is 41% for day care centers. Low salaries are a major reason for this high turnover rate. In 1988, the average wage in a day care center was $ 5.35 per hour. Over the last decade, day care salaries have declined by 20% in real dollars while the turnover rate has tripled. NAT'L COMM'N ON WORKING WOMEN OF WIDER OPPORTUNITIES FOR WOMEN, WOMEN, WORK AND CHILD CARE (1989). It is difficult to achieve stability since day care workers ranked in the lowest decile of U.S. wage earners in 1988. Primarily as a result of low wages, staff turnover in family providers and organized day care centers is between 35% and 60% per year.

n36 States do not generally regulate these features except that they regulate square footage per child for indoor space for center day care and sometimes for family day care. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 94-95.

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2. Quality as Measured by Parental Satisfaction

Despite research findings about the structural features most beneficial to children's development and national attempts to in- [*167] corporate these features into family and center day care standards, parents generally do not base their day care selection decisions entirely on these features. While child development specialists focus on the cognitive and

social development of the child as the output of day care, parents also focus on other factors: budget constraints, leisure time, shared values with providers, and convenience. Some evidence exists that parents are willing to substitute these other factors for "child development quality." n37 This is reinforced by the finding that stressed parents, who may be more concerned about budgets, lack of schedule flexibility and travel problems, are more likely to select low quality day care as measured by child development. n38 Low wages of caregivers may reflect the willingness of parents to substitute affordability for quality as measured by child development. This is evidenced by the fact that although caregiver education is thought to affect day care quality as measured by child development, the earnings of child care teaching staff members increase with their levels of education at a lower rate than the earnings of those in other professions. A child care teaching staff member with a high school diploma or less earns 51 percent of the average wages of all women in the civilian work force with high school diplomas; yet, a child care teaching staff member with a college diploma earns only 45 percent of the average wages of all women in the civilian work force with college diplomas.. n39 Because society can benefit from providing high quality day care to children, n40 in determining which funding mechanisms make the most sense given the quality, affordability, and distribution concerns surrounding the current day care system, the need of parents for affordable and accessible day care must be balanced with children's need for quality care.

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n37 Blau, supra note 32, at 157. James R. Walker, Public Policy and the Supply of Child Care Services, in THE ECONOMICS OF CHILD CARE 55-56 (David M. Blau ed., 1991).

n38 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 67-68.

n39 Annual Wages of Child Care Teachers Compared with Wages in the Civilian Labor Force, by Education Level. High school diploma or less--child care teaching staff, 1988: $ 8,120; civilian labor force, women, 1987: $ 15,806; civilian labor force, men, 1987: $ 24,097. Some College--child care teaching staff, 1988: $ 9,293; civilian labor force, women, 1987: $ 19,369; civilian labor force, men, 1987: $ 29,251. College Graduate or more--child care teaching staff, 1988: $ 11,603; civilian labor force, women, 1987: $ 26,066; civilian labor force, men, 1987: $ 42,422. CHILDREN'S DEFENSE FUND, THE STATE OF AMERICA'S CHILDREN 1991 at 41-42 (1991).

n40 Blau, supra note 32, at 168.

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[*168]

B. DAY CARE PROVIDERS

The types of day care selected by parents reflect the conflict between what children ideally should have and what parents can provide in day care arrangements.

1. Organized Day Care Facilities

Organized day care facilities, i.e., group care centers and preschools, seem to be the focal point of much of day care research and debate. Yet, less than one-fourth of children attend these organized facilities. Only 24 percent of children under five with working mothers attend them for primary care arrangements, i.e., those used most frequently during the typical work week of the mother; 10 percent of children ages five to fourteen attend them as secondary care arrangements, i.e., those used second most frequently. n41 Organized day care is currently used most frequently for children ages three to four. Not suprisingly, for children under five, use of organized care increases dramatically as the age of the child rises. Fourteen percent of infants use organized care compared with 19 percent of one to two year olds and 34 percent of three to four year olds. n42

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n41 WHO'S MINDING THE KIDS, supra note 16, at 3 & 18, Tables B & 5. Primary care arrangements are those used most frequently during the typical work week of the mother; secondary care arrangements are those used second most frequently. Typically, children under five with working mothers are cared for in day care in primary care arrangements (88%). Children over five with working mothers are in school for their primary care arrangements (71%) and in day care for their secondary care arrangements (35%). So day care for children under five with working mothers refers to primary care while day care for children over five with working mothers refers to secondary care.

n42 WHO'S MINDING THE KIDS, supra note 16, at 7, Table E. The relative increase is much greater for nursery school and preschool use than for day care use. Day care use was as follows: infants, 12%; 1 to 2 years, 15%; and 3 to 4 years, 19%. Preschool use was as follows: infants, 2%, 1 to 2 years, 4%; and 3 to 4 years, 15%.

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It is unclear why use of organized day care increases as the age of the child rises. Cost may be an issue. For day care providers, infant day care is slightly more expensive than day care for children one to four years old. n43 Yet, the data suggest that the decision whether to use organized day care for a child of any age may be a [*169] function of cost. Use of organized care increases substantially as family income increases. n44 Additionally, mothers employed full time are more likely than those employed part time to use organized care. n45 For infant care, however, cost may not even be a significant issue. Mothers of infants who use day care are less likely to pay for it than are mothers of preschoolers. n46 Mothers may choose nonorganized day care, irrespective of its price.

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n43 Infant day care: $ 58 per week; one to four year old care: $ 52 per week; and school age children care: $ 35 per week. These costs represent the expenses for all children in the family where the age of the youngest child falls into the age group. WHO'S MINDING THE KIDS, supra note 16, at 21, Table 7. See also Connelly, supra note 24, at 100. Even though average weekly expenses are less for school-aged children, this is because these children are in school. The cost per hour of care for school children is higher than for infants or preschoolers.

n44 Percentile use of organized day care by monthly family income: less than $ 1,250, 15.5%; $ 1,250 to $ 2,499, 18.8%; $ 2,500 to $ 3,749, 28.2%; and $ 3,750 and over, 33.8%. WHO'S MINDING THE KIDS, supra note 16, at 16, Table 2.

n45 Of children under age 5 whose mothers work full-time, 28.4% use organized day care compared with 17.6% of those whose mothers work part time. Id. at 16, Table 2B.

n46 Connelly, supra note 24, at 101-02. According to a 1989 study by Connelly, mothers of one to four year olds are most likely to pay for day care (58% of those using child care) while those with infants are less likely to do so (52%)--perhaps due to the higher cost of infant care. Mothers of school age children rarely pay for child care; only 16% do so. Factors found to affect the probability of paying for care were the number of preschool children, the presence of an unemployed adult or teenager, and the level of income other than the mother's earnings (usually the husband's earnings in a two parent family).

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Availability of slots within organized day care centers may also affect the pattern of use. State regulations mandate lower staff/ child ratios for younger children. Following these regulations increases costs for organized day care centers and increased cost may discourage use by parents. Centers also tend to make fewer slots available for younger children.

Along with the availability of slots, parental preference for educational care may affect demand for organized day care. The use of organized care increases significantly from the age of one to two, 18 percent, to the age of three to four, 34 percent. n47 Most of this increase is in the use of education-based preschool rather than group care centers. n48

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n47 WHO'S MINDING THE KIDS, supra note 16, at 7, Table E.

n48 Id. Day care use was as follows: infants, 12%; 1 to 2 years, 15%; and 3 to 4 years, 19%. Preschool use was as follows: infants, 2%; 1 to 2 years, 4%;

and 3 to 4 years, 15%.

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This increase could also indicate that there may be a shortage of slots for group care centers for children three to four years old. This is unlikely, given the current concern that the demand for education-based preschool centers is shifting preschoolers out of existing group care centers. It is thought that this shift may cause day care costs for younger children to rise because preschoolers subsidize some of the costs of infants and toddlers. n49

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n49 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 164-67. State funded public schools have become much more active participants in providing preschool care. Most of these programs are exempt from state licensing requirements (health, nutrition, group size, teacher qualification and physical space), so the quality of the preschool programs may vary with the quality of the schools themselves. Tension has arisen between schools and day care centers because schools offer higher salaries than day care centers. Such tension influences well-qualified day care workers to leave day care centers for school systems. Because preschoolers in day care centers theoretically cover some of the cost of infant and toddler care, there is some fear that an exodus of preschoolers from the day care system to the school system could make the care of infants and toddlers economically unfeasible.

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Many forms of organized day care exist, exhibiting varying levels of quality as measured by child development. In general, organized day care centers group children by age and developmental stage and are more ethnically and racially diverse than other forms of day care. About 40 percent of organized day care centers are not-for-profit, and about 60 percent are for-profit. n50 Not-for-profit providers include employers, schools, religious organizations, local government agencies, and the federal government (through the Head-Start program). For-profit providers include national chains n51 and independent centers. Research indicates that not-forprofit care provides better quality as measured by child development than does for-profit care. n52 Within for-profit care providers, variation exists. Large national chains often offer high levels of quality as measured by child development, as do independent centers. Independent centers are, however, both the most numerous of for-profit providers and the most varied in quality.

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n50 Wash & Brand, supra note 8, at 20.

n51 Kinder Care, the largest national day care chain, had 1,100 centers in 1988, but has since gone bankrupt. Children's World Learning Centers had 485 centers in 1988.

n52 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 160.

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The need for profitability may create this quality gap. n53 Forprofit centers, especially independent for-profit centers, generally spend less on staff wages than do not-for-profit centers and thus limit their ability to attract caregivers who have child development training. n54 For-profit centers also have lower staff/child ratios than do not-for-profit centers. n55 High quality large national chains are exceptions to this rule--often spending as much on wages for senior staff as do not-for-profit centers. n56 The quality gap suggests that for parents, the convenience, cost, or shared values of forprofit day care may outweigh the lower quality of care they provide.

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n53 Id. at 160-62.

n54 Id.

n55 Id.

n56 Id.

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In the last decade the number of for-profit centers has grown more rapidly than the number of not-for-profit centers. n57 Over this [*171] period, the number of for-profit centers increased by 10 to 12 percent annually, more than twice the rate for not-for-profit centers. n58 Large growth in the size of national chains and the shift of the federal government from direct subsidies, in the form of federal funds granted to the states, n59 to consumer subsidies, in the form of tax credits and deductions, n60 are thought to have fueled this forprofit center care growth.

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n57 The share of total enrollment accounted for by for-profit centers rose from 37% in 1977 to 51% in 1988. Wash & Brand, supra note 8, at 21. In 1977, 6 out of every 10 centers were nonprofit; in 1990 the proportion was 4 of every 10. Wash & Brand, supra note 8, at 21.

n58 Wash & Brand, supra note 8, at 21.

n59 Federal Title XX spending for child care declined by almost 60% in constant dollars from 1977 to 1988. Federal Title XX funds are allocated to the states based on state population without matching requirements. Philip K. Robins, Child Care Policy and Research: An Economist's Perspective, in THE ECONOMICS OF CHILD CARE 11, 18 (David M. Blau ed., 1991).

n60 The child care tax credit increased 400% in constant dollars from 1977 to 1988. Id. at 18.

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It has been suggested that organized day care will experience growth in the future for three reasons. First, an increasing percentage of children in day care will be school-aged children who use organized day care in larger numbers. Second, growing governmental concern about the anticipated increase in the number of children living in poverty may lead to increased government funding to organized programs. Third, more employers will recognize that day care will be critical for them to remain competitive in attracting employees. n61

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n61 Wash & Brand, supra note 8, at 22-23.

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Finally, organized day care may be the preferred form of care by parents. A study by Mathematica Policy Research, Inc. of day care providers in an urban environment indicates that many poor families are not satisfied with their day care providers. Most of these families rely on relatives to provide day care and typically would prefer to use organized day care. n62 However, even if organized day care is preferred by parents, it is not the most commonly used form of day care.

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n62 Over one-third of all poor families are unsatisfied with their current day care arrangements. Hoerner, supra note 26, at 148.

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2. Family Day Care

Family day care, the care of children in the homes of providers, usually by mothers with young children of their own, is one of [*172] the most commonly used forms of out-of-home day care. n63 While organized day care has been the subject of much policy debate and academic research, family day care has received less attention. Yet, in 1987 approximately three n64 to five million children n65 were in family day care. This suggests that approximately 22 percent of children under five with working mothers attend family day

care providers as primary care arrangements and 12-13 percent of children ages five to fourteen attend them as secondary care arrangements. n66 Thus, significantly more children are in family day care than organized day care.

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n63 63. JOHN P. FERNANDEZ, CHILD CARE AND CORPORATE PRODUCTIVITY: RESOLVING FAMILY/WORK CONFLICTS 163 (1986).

n64 WHO'S MINDING THE KIDS, supra note 16, at 3 & 19, Table B (Primary Care for Children Under 5 Years-Care in Another Home: by nonrelative, 2 million; total, 3.2 million), & Table 6 (Secondary Care for Children 5 to 14 years: by nonrelative, 0.7 million; total, 1.5 million).

n65 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 151.

n66 These estimates assume that 70% of relatives who care for children are also family day care providers for other children. WHO'S MINDING THE KIDS, supra note 16, at 3 & 19, Tables B & 6. However, according to the National Research Council, adequate information does not exist to make these estimates. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 149-50.

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Although it is widely used, most family day care is unregulated. n67 While a 1988 survey found that approximately 200,000 licensed day care homes exist, estimates indicate that approximately 500,000 to 2 million unlicensed day care homes exist. n68

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n67 Lack of licensing exists even though states have been making efforts to register providers. Reasons proposed for the lack of registration include: providers do not know the regulations, difficulty of licensing, and tax evasion. Public subsidies and referrals, however, do give incentives to providers to become licensed. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 154.

n68 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 151-52. Regulated homes constitute only 6% of the nation's 2 million family day care homes. FERNANDEZ, supra note 63, at 163. Because family home providers caring for fewer than a prescribed number of children are exempt from regulation in many states, between only 5% and 10% are licensed or certified. The prescribed minimums vary considerably: family home providers caring for 3 or more children are regulated in 22 states, 4 or more in 17 states, and 5 or more in 9 states. James R. Walker, Public Policy and the Supply of Child Care Services, in THE ECONOMICS OF CHILD CARE 54 (David M. Blau ed., 1991). About 90% of relative family day care provided by nonrelatives is unregulated. Ellen Kisker & Rebecca Maynard,

Quality, Cost, and Parental Choice of Child Care, in THE ECONOMICS OF CHILD CARE 132 (David M. Blau ed., 1991).

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Family day care homes generally care for from 2 to 6 children although this tends to vary by the type of home. n69 Sponsored [*173] homes, n70 which are members of groups or networks of homes under the sponsorship of local administrative agencies and which may or may not be regulated, averaged 4.3 children; regulated homes averaged 4.0 children; unregulated homes averaged 2.8 children. n71 Some large (generally 7 to 12 children) family day care homes exist as well. n72

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n69 This lack of licensing is present even though states have been making efforts to register providers. Reasons proposed for the lack of registration include: providers not knowing regulations, difficulty of licensing, and tax evasion. Public subsidies and referrals do however give incentives to providers to become licensed. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 154.

n70 In 1986 there were at least 85,000 family day care homes affiliated with 800 sponsoring institutions. Networks are groups of homes under the sponsorship of local administrative agencies that offer several services to providers including: training, resource and referral services, toy libraries, substitute caregivers for emergencies. For users, networks may guarantee slots for low-income families and certify eligibility and management payments. Id. at 174.

n71 In many states family day care providers are not required to be licensed unless they care for more than two or three children. Id. at 151.

n72 Id. at 151.

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It appears that unlicensed family day care offers a higher staff/child ratio than does licensed family day care. But this high staff/child ratio is offset by the lower level of caregiver training found in unlicensed family day care homes. The 1988 Child Care Supply and Needs Survey indicates that licensed providers have twice the experience of unlicensed providers, have more education, and are "twice as likely to have had special training or courses in child development." n73 Because they are often underground n74 providers, unlicensed family day care home providers do not wish to reveal their identities to third parties. This makes it virtually impossible for parents seeking day care to find unlicensed family day care through resource and referral programs. n75

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n73 Walker, supra note 68, at 61. Compare with Rector, supra note 3, at 531-33. Rector infers that unlicensed providers provide higher quality care because they have higher staff/child ratios, typically care for their own children, charge lower fees, and provide care at the request of neighbors rather than at their own initiative. This finding seems to be premised on the notion that what parents consider to be a loving environment is best for childrens development. The qualities that parents value in unlicensed family day care according to the 1981 study that Rector cites, i.e., shared values with caregiver, proximity, and "loving" environment, are parental quality features, not child development quality features. Rector also totally ignores the fact that unlicensed providers generally care for fewer children than licensed providers because state law generally permits caregivers of only a few children to be unlicensed. Finally, while Rector correctly notes that infant and after-school care are most often provided by these unlicensed providers, it does not mean that this trend must be maintained or that it is the preferred system for day care users.

n74 Rector, supra note 3, at 532.

n75 Walker, supra note 68, at 66.

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Licensed family day care offers higher levels of caregiver training than does unlicensed day care. Still, licensed family day care quality varies more than organized day care quality. One re- [*174] searcher has classified these caretakers as falling into three categories: working women who temporarily exit the work force when they become mothers and return when their children are of school age, grandmothers or other older relatives who temporarily become providers while they are caring for a related child, and women in their 30s to 50s who care only for unrelated children. n76 The caregivers in this last group are most likely to have had child development training, to be licensed, and to remain in the day care provider market for extended periods of time. n77 This last category of caregivers is more like the typical organized day care center than the typical family day care provider.

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n76 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 153.

n77 Id.

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Family day care providers serve a broader age group than do organized day care providers. Organized day care serves primarily three to four year olds, while family home care serves all ages and "supplies most of the market care for infants" n78 and for schoolaged children who do not care for themselves. n79 While family day care homes generally have mixed age

groups, n80 they are usually racially, economically, and ethnically homogeneous. n81 This is in sharp contrast to the separated age groups in organized day care that are generally more socioeconomically heterogeneous.

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n78 Walker, supra note 68, at 53.

n79 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 152-53.

n80 Id. at 153.

n81 The National Day Care Home Study found that 80% of children in family day care are the same race and ethnicity as the caregiver. Id. at 153.

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The structure and content of daily activities affect day care quality as measured by child development. In mixed age group family day care settings it is much more difficult to target the structure and content of activities to the ages of the individual children. Family day care therefore cannot do as good a job in child development.

Yet, many parents value the homogeneity of family day care, apparently even at the cost of the lower quality as measured by child development. Parents preferring family day care value the intimacy of the small group and the sense of shared values with the caregiver. n82

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n82 Id.

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Parents may also prefer family day care for cost reasons. Family day care costs less than organized day care, largely because it is [*175] unregulated. n83 On the other hand, parents objecting to family day care complain about the uneven quality of care it offers. In addition, while family day care offers the convenience of proximity to parents, the care system is more likely to fail because it relies on only one caregiver, who may become incapacitated. n84

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n83 Family day care: Sponsored $ 26.36; Regulated, $ 22.65; Unregulated, $ 17.80. Id. at 155, Table 6-1.

n84 In-home care is an example of single caregiver arrangement likely to break down. Of the 2,300 employed mothers studied in the N

groups, n80 they are usually racially, economically, and ethnically homogeneous. n81 This is in sharp contrast to the separated age groups in organized day care that are generally more socioeconomically heterogeneous.

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n78 Walker, supra note 68, at 53.

n79 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 152-53.

n80 Id. at 153.

n81 The National Day Care Home Study found that 80% of children in family day care are the same race and ethnicity as the caregiver. Id. at 153.

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The structure and content of daily activities affect day care quality as measured by child development. In mixed age group family day care settings it is much more difficult to target the structure and content of activities to the ages of the individual children. Family day care therefore cannot do as good a job in child development.

Yet, many parents value the homogeneity of family day care, apparently even at the cost of the lower quality as measured by child development. Parents preferring family day care value the intimacy of the small group and the sense of shared values with the caregiver. n82

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n82 Id.

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Parents may also prefer family day care for cost reasons. Family day care costs less than organized day care, largely because it is [*175] unregulated. n83 On the other hand, parents objecting to family day care complain about the uneven quality of care it offers. In addition, while family day care offers the convenience of proximity to parents, the care system is more likely to fail because it relies on only one caregiver, who may become incapacitated. n84

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n83 Family day care: Sponsored $ 26.36; Regulated, $ 22.65; Unregulated, $ 17.80. Id. at 155, Table 6-1.

n84 In-home care is an example of single caregiver arrangement likely to break down. Of the 2,300 employed mothers studied in the National Child Care

Survey, 15% reported some lost time from work, and 6% reported lost days from work during the past month because of child care breakdowns. Another survey found that 33% of the parents who experienced child care breakdowns were nervous or stressed often or very often, as compared to 17% of those who do not have trouble maintaining their child care arrangements. Dana E. Friedman, PRODUCTIVITY EFFECTS OF FAMILY PROBLEMS AND PROGRAMS New York:.The Conference Board, (forthcoming).

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3. In-Home Care by Relatives (Nonfamily Day Care)

Another form of care that is likely to fail because it relies on only one caretaker is in-home care by relatives who do not care for unrelated children. The primary form of in-home care is care by relatives, including parents themselves, grandparents, siblings, and other extended family members. n85 Very little descriptive data have been collected about relative caregivers. Though we know the identity of the caregivers, we do not know the quality of care they provide, their qualifications, whether they are paid, or how long they serve as caregivers. n86 It is, however, important to discuss this form of care because it substitutes for market care when the price of market care is relatively high. This is true despite the fact that the quality of care by relatives varies substantially. n87

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n85 WHO'S MINDING THE KIDS, supra note 16, at 3 & 19, Tables B & 6.

n86 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 150.

n87 Blau, supra note 32, at 155.

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Parents account for a surprisingly large portion of in-home relative day care. One million nine hundred thousand children or 21 percent of children under age 5 with working mothers are cared for only by their parents; 1,800,000 children or 9 percent of children from ages 5 to 14 with working mothers are cared for only by their parents. n88 Sixty percent of these children are cared for by their fathers; 40 percent by their mothers, while the mothers are at work. n89 [*176] These parents generally work split shifts, have flexible schedules, or work only part-time. n90 While no information is available on the quality of this care, stressed parents find it harder to be nurturing parents. Yet, given the difficulties involved in parental care, parents must either want to do so or do so because they cannot afford to do otherwise.

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n88 Statistics indicate that 4.2 million children are cared for primarily by

their parents; 0.5 million of these children have no form of secondary care. WHO'S MINDING THE KIDS, supra note 16, at 3 & 18, Tables B & 5. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 149.

n89 Blau, supra note 32, at 155.

n90 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 149.

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Parental care is often supplemented by the in-home care by grandparents and other relatives. Seven hundred thousand children under age 5 (7 percent) and 900,000 children from ages 5 to 14 (5 percent) whose mothers participate in the work force are cared for in their homes exclusively by grandparents or other nonparental relatives. n91 Twenty-eight percent of parents pay for this form of care, paying significantly less than the price of alternative care. n92 These caregivers may be less stressed than parents who are working and, as a result, may give higher quality care at this lower price. We can only speculate on the quality of care provided, since no information exists. While "researchers often assume that formal care is better or more desirable than informal care . . . there is no evidence for this; rather, there is substantial quality variation within each type." n93

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n91 Approximately 2.3% are cared for exclusively by grandparents, 3.2% are cared for exclusively by other relatives. WHO'S MINDING THE KIDS, supra note 16, at 18 (Table 5).

n92 Those who paid for in-home relative care had average weekly expenses of $ 19 compared with $ 30 for out-of-home relative care, $ 39 for in-home nonrelative care, $ 35 for outof-home nonrelative care, and $ 38 for organized group care. Connelly, supra note 24, at 9899, Table 4. Hoerner concludes that "gray market" child care by relatives and unskilled family care providers is inexpensive and accessible, but tends to perpetuate the cycle of poverty by impeding the development of poor children. Hoerner, supra note 26, at 148.

n93 Connelly, supra note 24, at 125.

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4. In-Home Nonrelative Care

As with other forms of in-home day care, in-home nonrelative care is not well researched. While the media has devoted much attention to the subject of nannies, less than 3 percent of children whose mothers participate in the labor force are cared for by these nonrelatives in their homes. n94 Although almost no research has focused on this issue, the wide variation in backgrounds of these caregivers suggests a wide variation in the quality of care that they

provide. n95 And while these caregivers typically receive the highest [*177] wages for their services, n96 these wages do not necessarily reflect the quality of care provided, especially because these caregivers generally provide more services than do other caregivers.

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n94 WHO'S MINDING THE KIDS, supra note 16, at 18 (Table 5).

n95 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 150-51.

n96 Weekly expenditures among those with expenditures greater than zero were: for nonrelative in child's home, $ 41; nonrelative in nonrelative's home, $ 33; relative in relative's home, $ 25; relative in child's home, $ 27; and organized care center $ 33. Blau, supra note 32, at 161, Table 2 (Characteristics of Child Care Arrangements, by Type of Arrangement and Age of Youngest Child, National Longitudinal Survey of Youth).

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5. Self-Care

The final area of in-home care has sparked substantial controversy. Termed "latchkey" kids by the media, according to the Bureau of Census statistics, approximately 1.3 million children ages 5 to 14 n97 care for themselves after school with another 0.8 million caring for themselves at other times of the day. n98 Estimates of the number of latchkey children vary widely--from 2 million to 15 million. n99 This variance may be due to parents' reluctance to admit that their children are in self-care or due to an unclear definition of self-care. While it is unknown whether self-care causes any cognitive development problems for school aged children, self-care may cause some emotional problems. Children in self-care, perhaps perceiving themselves to be more autonomous, are more likely to engage in risk-taking behavior such as substance abuse (alcohol, cigarettes, and marijuana). n100 These children may also be likely to feel emotional stress. n101 However, these outcomes seem to be strongly affected by contextual factors such as the age of a child, why self-care was chosen, how long a child stays in self-care, and neighborhood characteristics. It is unclear how self-care quality compares with the quality of other forms of care. In any event, it seems improbable that all the parents currently using self-care would choose it if they had other satisfactory, affordable options.

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n97 Concern about latchkey children generally focuses on children under age 10. There is, however, no information available that deals only with children under age 10.

n98 Approximately 21.6% of children ages 5 to 14 use self-care for their secondary care arrangement; 4.1% (0.8 million) children ages 5 to 14 use

self-care for their primary care arrangement; and 0.3% (0.02 million) children under 5 or use self-care for their primary care arrangement. WHO'S MINDING THE KIDS, supra note 16, at 3 & 19, Tables B & 6.

n99 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 131.

n100 Id. at 132.

n101 Id.

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C. COST AND DISTRIBUTION OF DAY CARE

Affordability or cost of day care is a central issue in the evaluation of day care providers. To a large extent, cost determines who receives day care, i.e., the distribution of day care. In 1987, the average family expenditure for day care was $ 49 per week. This expenditure varied widely from family to family and was influenced most notably by three factors--family income, child's age, and marital status. n102 The percentage of income expended for day care varied even more widely than the absolute dollars spent. Families earning less than $ 15,000 per year spent 21 percent of their income on child care, $ 39 per week, while those earning more than $ 15,000 per year spent only 7 percent, $ 49 per week. n103

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n102 WHO'S MINDING THE KIDS, supra note 16, at 21 (Table 7--Weekly Child Care Expenditures and Monthly Family Income, Fall 1987).

n103 Variance exists at the incremental income levels above $ 15,000 per year, but this variance is not as severe. Income spent on day care by income level above $ 15,000 per year: $ 15,000 to $ 30,000, 9.2%; $ 30,000 to $ 45,000, 6.6%; above $ 45,000, 4.9%. WHO'S MINDING THE KIDS, supra note 16, at 21, Table 7.

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As mentioned in the discussion of organized day care providers, the age of the child seems to affect both the decision to pay for day care and the amount paid for day care. n104 Day care for infants is most expensive, at $ 58 per week; care for one to four year olds is 10 percent less expensive, at $ 53 per week; and care for school-age children is least expensive, at $ 35 per week. n105

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n104 Connelly, supra note 24, at 103.

n105 Thirty-five percent of these families with working mothers paid for child care. WHO'S MINDING THE KIDS, supra note 16, at 21, Table 7.

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The third factor significantly influencing the amount paid for day care is marital status. Single mothers spend 15 percent less on day care than do married mothers--$ 42 per week versus $ 50. n106 Measured as a percentage of income, however, single mothers expend more on day care than do married mothers, spending 8.5 percent of their incomes on day care while married mothers spend only 6.3 percent. n107 Single mothers who use day care pay for that day care as often as do married mothers who use day care. However, because single mothers pay a greater percentage of income for that care, the costs of day care place a greater burden on single mothers than on married mothers. This suggests that day care costs may be more likely to deter single mothers than married mothers from participating in the work force. Research validates [*179] this inference, showing that the negative effect of day care costs has a much greater impact on single mothers participation in the work force than on married mothers participation. n108 In fact, not only do day care costs have a significant negative effect on single mothers participation in the work force, they also increase the probability of their receiving AFDC payments. Although some seem to fear that decreasing the cost of day care would thrust nonworking mothers unwillingly into the work force, n109 this fear is unfounded. Lower day care costs would facilitate entry into the work force for nonworking mothers and would make it less likely that single working mothers would need AFDC. n110

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n106 Id.

n107 Id.

n108 Connelly estimates that providing universal no-cost child care for married women would only increase work force participation by 10%, whereas, for unmarried mothers, work force participation would increase drastically, reducing AFDC benefits to single mothers from an expected recipient level of 20% to 11%. Connelly, supra note 24, at 110-11.

n109 CARLSON, supra note 3, at 3-17; see Knight, supra note 3; Gill, supra note 28, at 3-16; Rector, supra note 3, at 514 (Myth 14).

n110 Connelly, supra note 24, at 116.

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III. FUNDING OF DAY CARE

Day care quality and cost affect the use, and ultimately the distribution, of day care. To determine how society would want to fund day care given the affordability, quality, and distribution concerns involved, it is necessary to first understand how day care is currently being funded. The federal government plays a key role in day care funding, spending over $ 6.8 billion in 1988. n111 It is useful to draw a distinction between two types of federal government funding, direct grants to providers and all other subsidies, to emphasize how the government controls the use of funds. The federal government makes direct grants for day care primarily through the Head Start program and the Title XX Social Services Block Grant program. The federal government funds day care with other subsidies, using both grants to users and tax subsidies to providers. These other federal government subsidies include the child care tax credit, n112 the exclusion of employer-provided childcare from gross income, n113 employer flexible spending accounts, n114 favorable not-for-profit treatment of charitable, educational, and religious [*180] organizations, n115 and the voucher programs under Title XX. Because the recipients of nondirect grant funding may choose which form of day care they will use or provide, the federal government exerts significantly less control over the form of day care used in programs funded by other subsidies than it does with programs funded by direct grants. It is therefore critical to understand these conduits because the means by which the federal government subsidizes day care affect both the characteristics of day care users and the form and quality of day care they use. n116 The next parts will discuss the dynamics of these conduits--what has happened to their funding, what is being done with the funding, and what effect the funding is having on forms of day care provided.

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n111 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 197.

n112 I.R.C. section 21 (1992)

n113 I.R.C. section 129 (1992) (as amended by the Tax Reform Act of 1986, Pub. L. No. 99514, 100 Stat. 4075).

n114 I.R.C. section 125 (1992)

n115 I.R.C. sections 170, 501.

n116 CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 17-55.

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A. DIRECT GRANTS

In 1988, the federal government spent approximately $ 2.6 billion for direct funding, primarily through the Head Start program and direct subsidies to child care facilities under the Title XX Social Services Block Grant program. n117 On average this spending level represents a 10 percent decrease in real dollars spent from 1977 to 1988, from $ 2.9 billion to $ 2.6 billion. n118 Though there was only a slight decrease in spending, more significant

changes in allocations have affected day care usage.

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n117 117. Spending in 1988 approximately $ 2.6 billion, in 1977, $ 1.6 billion ($ 2.9 billion in 1988 dollars). Philip K. Robins, Federal Financing of Child Care: Alternative Approaches and Economic Implications, 9 POPULATION RES. POL'Y REV. 65, 74 (Table 3) (1990); CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 19-22.

n118 Authorized through FY 1990 under authority of the Human Service Reauthorization Act of 1986. See the Human Service Reauthorization Act of 1986, Pub. L. No. 99-425, 100 Stat. 2092. Target Groups include: families on welfare, single-parent and two-parent families making less than $ 15,000 for preschool children. CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 55. Typically these children are from 3 to 5 years old. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 216.

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1. Head Start

The primary increase in direct spending has been for the Head Start program, a program established to assist the educational development of children in families with incomes below the federal poverty line. n119 Head Start received $ 1.2 billion in 1988, almost 40 percent more than the $ 874 million (in 1988 dollars) received in [*181] 1977. n120 These federal funds cover 80 percent of the costs of these programs that are administered by eligible Head Start agencies. n121 The remaining 20 percent of costs must be contributed by local communities. n122 Several states now assist local communities in meeting this matching fund requirement; in addition some states supplement federal funds to expand programs or to increase staff salaries. n123

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n119 CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 55.

n120 Id.

n121 Id. Head Start is locally administered by education agencies, community action agencies, and public and private not-for-profit organizations and churches. Regardless of the local sponsoring agency, Head Start programs can be located in public school facilities. Approximately 20% of local programs are administered by local school districts and located in local public school buildings. There is little evidence to suggest that programs run by education agencies differ markedly from those operated by other agencies. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 169, 216.

n122 Robins, supra note 117, at 74.

n123 CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 60; WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 169.

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Program and government officials debate whether Head Start is actually a day care program. n124 Head Start's primary aim is educational and none of its key components, i.e., preschool education, health, parent involvement, and social services, is day care. Moreover, because 80 percent of Head Start programs operate for only half-days, Head Start alone does not typically meet the full-day day care needs of the low-income families that it serves. n125 Yet, under the previously discussed classification system, as a preschool education center, Head Start is classified as an organized day care program. Unfortunately, as a day care provider, Head Start does not meet the full-day day care needs of the families that it serves, and it serves less than 20 percent of the preschoolers who meet the program's income eligibility requirements, 450,000 in 1988. n126

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n124 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 167.

n125 The percentage of full-day programs is increasing. In 1984 only 15% provided full-day services. Susanne Martinez, Child Care and Federal Policy, in CARING FOR CHILDREN: CHALLENGE TO AMERICA 116-17 (Jeffrey S. Lande et al. eds., 1989). WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 167. In addition, some Head Start programs provide transportation to other day care providers for the second half of the day.

n126 To be eligible for Head Start, children must live in families below the poverty line or have disabilities; only about 10% of Head Start participants are not poor. The ethnic makeup of the Head Start children roughly matches the poverty distribution in the United States: approximately 42% of Head Start participants are Afro-American, 20% are Hispanic, 4% are American Indian, and 34% are Caucasian. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 168.

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Despite Head Start's inability to fully meet day care and educational needs, Head Start programs seem to be providing a high [*182] quality of care. n127 The published standards for the program require high staff/child ratios, caregiver stability and continuity, structure and content of daily activities, and facility layout--factors that positively affect day care quality. Yet the standards are also flexible so that local communities can obtain maximum benefits from their own resources. n128 Like day care centers, Head Start program providers must also be licensed by a state agency. n129 In addition, these providers are typically not-for-profit groups, including education agencies, community action agencies,

religious groups, and public and private not-for-profit organizations. Although Head Start seems to be a successful day care program, n130 its success is limited, because it provides a quality day care program to only a limited number of children n131 for a limited period of the day. Given these limitations, is an allocation of funds that does not encompass a full day adequate or properly spent?

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n127 Id. at 6, 53-54, 125, 168-69, 233; George Miller, Crafting the Future of Child Care, in CARING FOR CHILDREN: CHALLENGE TO AMERICA, supra note 125, at 134-35.

n128 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 169.

n129 Id. at 168.

n130 Because many Head Start teachers do not have the educational credentials necessary to teach in school-based programs and the Head Start programs are often licensed by state welfare departments, school-based providers of preschool programs find Head Start programs to be of a lower quality than school-based programs. But see id.

n131 States are concerned because many children who are at risk even though not in poverty are not eligible for Head Start unless they are disabled. Id. at 169.

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2. Social Security Block Grants

In contrast to spending for Head Start, direct spending for Social Services Block Grants (SSBG) has decreased. SSBG is a program for subsidizing services, which include day care, typically to low-income families. n132 Because it is difficult to obtain good stateby-state data, n133 estimates for SSBG allocations to day care vary. n134 According to federal government agency estimates, states allocated approximately $ 660 million of SSBG funding to organized day care centers in 1988, almost 60 percent less than the $ 1.6 billion (in [*183] 1988 dollars) received in 1977. n135 Two reasons for this large decrease have been articulated. First, in 1981 an amendment to Title XX cut Title XX funds by 20 percent and removed the requirement that states spend a fixed percentage of the remaining funding on day care. Second, the federal government has decreased appropriations to compensate for the large increases in tax subsidies. n136 In addition to federal funding, in 1987, 45 states allocated some of their own funds for day care. n137 These funds are used to subsidize existing day care and to facilitate the development of new day care centers, some of which are employer day care centers. n138

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n132 Id.

n133 This is because states determine eligibility for SSBGs and allocate SSBG funds.

n134 Permanently authorized under Title XX of the Social Security Act, as amended, 42 U.S.C. sections 1397-1397f. Funds are allocated to states on the basis of state population with no state matching requirements. Target groups include households on welfare (especially those with disabled children), teen parents, and single-parent and two-parent families making less than $ 15,000. CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 31; WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 170, 197, 214.

n135 Robins, supra note 117, at 74, Tables 3 & 9.

n136 The Omnibus Budget Reconciliation Act of 1981 (hereinafter OBRA) amended Title XX. The child care tax credit increased almost fourfold in constant dollars between 1977 and 1988. Robins, supra note 117, at 73.

n137 Id.

n138 For example, in 1989 the State of Washington created a fund "specifically for the purpose of expanding the supply of private sector employer sponsored child care statewide." The state funded the program with $ 1 million in 1989. In 1991, $ 382,500 in low-income federal block grant funds were allocated to the fund. The state uses a combination of direct loans, loan guarantees, and grants to assist businesses or day care providers in partnership with businesses in starting or expanding child care services for their employees. Guidelines for the Washington State Child Care Facility Fund, provided by Marsha Holand, Business Assistance Center, Olympia, Washington. See also discussion infra III.B.3.

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There are no data on how many children are benefited by SSBG programs. n139 While SSBG funded programs are not required to adhere to national quality standards like Head Start programs, SSBG funded programs seem to be of high quality. In general, SSBG funds subsidize not-for-profit day care centers. Most state eligibility requirements for SSBG fund receipt exclude family day care homes and for-profit organized day care centers. Some states have made for-profit centers eligible for SSBG funds to subsidize the care of low-income children. They have not been very successful at increasing the numbers of low-income children in such care because for-profit providers "are reluctant to accept children if the reimbursement rates do not cover their full costs of providing care or if additional fees can not be collected from parents." n140 Not only do these SSBG funded providers offer high day care quality, but poor children typically benefit from the educational component of their programs. n141

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n139 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 215.

n140 Id. at 214.

n141 Id. at 233.

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While SSBG funded providers seem to offer high quality care as measured by child development, their services may not meet [*184] parents' needs well. State or local governments typically contract with providers for a specific number of spaces in a given location. Available spaces for eligible children may be physically inaccessible to those children and their parents. As a result, some eligible children do not receive subsidized day care that is in theory available, and the government is not reimbursed for these unused spaces. Furthermore, where a subsidized center is accessible to parents, there may not be sufficient subsidized spaces to meet the needs of eligible children even if the center has space for the children. n142 As a result, some SSBG funded day care is wasted while available needed day care remains unfunded and inaccessible.

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n142 Id. at 215.

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B. OTHER SUBSIDIES

In addition to its direct grants to the Head Start program and SSBG programs, the federal government funds day care through other subsidies that allow less control over the day care providers. These other subsidies include the dependent care tax credit, the exclusion of employer provided dependent care, flexible spending accounts, tax exemption of charitable, educational, and religious organizations, and the voucher programs under Title XX.

Each of these subsidies, except the voucher program subsidy, is a tax expenditure or tax subsidy because the tax law is used as a funding mechanism. Tax expenditures, such as credits and deductions, "are called tax "expenditures' [to reflect] the assumption that the same goals could be met through direct subsidies or spending programs." n143 For day care, the choice to fund it by tax expenditures rather than direct grants reflects the administration's philosophy that taxpayers should have the freedom to decide how to spend their money and that taxpayers spend their money more effectively than the government. n144 Tax expenditures as a means of a subsidy are frequently criticized on the ground that they are administered without an appropriations process and are not overseen by a social services agency, both of which would subject the process to greater scrutiny. n145 In addition, the

data indicate that "using the tax code to subsidize day care disproportionately benefits [*185] middle- and higher-income families." n146

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n143 Steven Mufson, Bushwacking the Reagan Tax Reforms; President's ElectionYear Plan Would Undo Some "86 Changes, WASH. POST, Jan. 19, 1992, at H1.

n144 Id.

n145 Id.

n146 LEVITAN & CONWAY, supra note 15, at 41.

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The current Code creates economic distortion that hinders women from entering the labor force. n147 In two-earner households, the higher marginal tax rate on the joint income may be regarded as the result of the woman's working. As a result, the woman's income is treated as marginal income whether the wife earns more or less than her husband. This economic distortion, which may affect a woman's decision to participate in the labor force, can be partially offset by giving tax subsidies or favorable tax treatment to costs such as child care. n148 While these subsidies are in theory available to all households, in practice low-income households are not able to receive the benefits of the subsidies. Such a policy may be short sighted given that work-related taxes cover 89 percent of the cost of the existing dependent care tax credit and that it is estimated that the additional women who work because of the credit add $ 5 billion to $ 8 billion to the gross national product. n149

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n147 Economic distortion occurs because income from labor outside the home is taxed, but the value derived from labor inside the home is not taxed. In addition, two-earner married couples often face a higher tax on their combined incomes under the progressive rate tables. Hoerner, supra note 26, at 143-46.

n148 Id. at 145.

n149 Id. at 146.

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Both the federal government and the states subsidize day care through tax credits or deductions. n150 On the federal level, the principal examples are the dependent care tax credit and the exclusion for dependent care assistance programs. n151

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n150 The federal government and 29 states subsidize child care through tax credits or deductions for parents, and 8 states and the federal government allow tax credits or deductions for employers who provide child care assistance to their employees. Wash & Brand, supra note 8, at 19. For example, California offers a $ 600 per child credit for on-site day care to employers. Cynthia Ransom et al., The Return in the Child-care Investment, PERSONNEL ADMINISTRATION 54 (Oct. 1989); Colorado has developed new state regulations to increase day care in business zones. Businesses sharing in the costs of a day care center will get tax credits for half of their contribution--up to $ 100,000 per tax year. The aim of Colorado's program is to increase day care and save energy through increased reliance on public transportation and carpooling by parents. Other cities have also begun to establish this linkage, including San Diego, Miami, and Orlando. Colorado Project Works to Increase Child Care, Improve Energy Conservation, 4 NAT'L REP. ON WORK & FAM. 1, 4 (1991).

n151 The earned income tax credit (EITC) under section 32 of the Code is omitted from this discussion even though some day care analysts consider it to be a lower-income tax exemption for day care because typically only a small portion of income transfers to families are actually received by children. In general only about one-tenth of an income increase is received by the average child, and only about one-quarter of the increase is received by all children. The EITC is an antipoverty mechanism, not a day care mechanism. Hoerner, supra note 26, at 148. See also Andrew D. Cuccia, An Even Simplier Way to Help Children, 53 TAX NOTES 618-20 (1991) (proposing that the EITC, the proposed child credit, and dependency exemption could be combined into one provision to benefit low-income families).

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[*186]

1. The Dependent Care Tax Credit

The dependent care tax credit, contained in section 21 of the Code, permits taxpayers who have employment related expenses for the care of a child n152 under the age of 13 to reduce their federal income tax liability by an amount equal to a portion of these expenses. In 1988, the federal government subsidized $ 3.9 billion of day care with this credit, n153 almost four-fold the $ 1 billion (in 1988 dollars) it subsidized with the credit in 1977. n154 For reasons discussed below, from 1988 to 1989 this amount decreased 36 percent to $2.4 billion.

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n152 Or other "qualifying individual" including spouse or other dependent who is physically or mentally incapable of self-care.

n153 Statistics of Income SOI BULLETIN, vol. 11, no. 1, Summer 1991, Table 1 (Individual Income Tax Returns: Selected Income and Tax Items for Specified Tax Years, 19701989); Robins, supra note 117, at 65.

n154 Robins, supra note 117, at Table 3 (citing U.S. Department of Treasury, 1977); Statistics of Income SOI BULLETIN, vol. 11, no. 1, Summer 1991, Table 1: (Individual Income Tax Returns: Selected Income and Tax Items for Specified Tax Years, 1970-1989).

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The dependent care credit is widely employed. Reversing years of increasing utilization, use of the credit decreased substantially between 1988 and 1989, probably because of changes in the structure of the credit. In 1988, over 30 percent more taxpayers claimed the credit than did in 1989. While in 1988, 9.2 million taxpayers (10 percent of returns with a tax liability) claimed the credit, in 1989, only six million taxpayers (6.6 percent of returns with a tax liability) did so. Yet, even the 1988 use of the credit was greater than its earlier utilization. In 1977, 2.9 million taxpayers (3.9 percent of returns with a tax liability) claimed the dependent care credit. n155 Measured as a percentage of the children of mothers who worked, in 1977 only 18.9 percent of children whose mothers worked made the claim, but, in 1985, 44.3 percent of children whose mothers worked claimed the credit. n156 Because the data shows that the dependent care credit has pervasive usage and that even the decreased 1989 expenditures are greater than the sum of Head Start and SSBG expenditures, it is important to understand how the credit works and how it is affected by changes in the Code.

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n155 Robins, supra note 117, at 76, Table 4 (Use of the Child Care Tax Credit, 19761988).

n156 Id.

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[*187]

a. How the Dependent Care Credit Works

The dependent care credit allows the employed taxpayer to credit a portion of day care costs against federal income tax liability. As the taxpayer's adjusted gross income rises above $ 10,000, the percentage of day care expenses that the taxpayer can credit decreases from 30 percent to 20 percent by 1 percent for each $ 2,000 of income over $ 10,000 up to $ 28,000. n157 The credit also has a cap. The maximum amount upon which an eligible taxpayer can compute a credit is $ 2,400 ($ 46 per week) for one child and $ 4,800 ($ 92 per week) for two or more children. For example, a taxpayer n158 earning $ 10,000 with one child in day care could receive a maximum credit of 30 percent times $ 2,400 or $ 720 ($ 14 per week), significantly less than the average day care expenditure of $ 49 (1987 dollars) per week. A

taxpayer earning over $ 28,000 with three children could receive a maximum deduction of 20 percent times $ 4,800 or $ 960 ($ 19 per week), again significantly less than the average day care expenditure of $ 49 (1987 dollars) per week.

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n157 I.R.C. section 21(a)(2).

n158 Includes income of both taxpayers if filing jointly.

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b. Distribution Effects of the Dependent Care Credit

While the dependent care credit attempts to target low-income taxpayers by decreasing the refundable percentage as income increases, the credit is available only to taxpayers who are already employed, so those in need of job training and education cannot benefit from it. n159 The credit is only moderately successful in benefiting low-income taxpayers who are employed and is likely to be less successful in the future. This lack of current and future success is primarly caused by changes in the Tax Reform Act of 1986 and the Family Support Act of 1988, which highlight the weaknesses of the dependent care credit itself. Each of these changes had independent effects on the dependent care credit. Together they significantly reduce the benefits that the dependent care credit might otherwise provide.

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n159 I.R.C. section 21(b)(2). See also I.R.C. section 21(d)(2) allowing the credit if one spouse is a student or mentally or physically handicapped, but not if both are.

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i. Effect of the Tax Reform Act of 1986

The 1986 Act did not change the dependent care credit, but it did change the context within which it operates. Because the de- [*188] pendent care credit is not refundable, a taxpayer may use the credit only to the extent of her tax liability. After the 1986 Act, which increased the personal exemption, standard deduction, tax brackets, and the earned income credit for inflation and indexed them for inflation, many low-income taxpayers do not have any tax liability at all. n160 By indexing other tax items for inflation, the 1986 Act made it less likely that low-income taxpayers could make use of dependent care credits. Furthermore, the Tax Reform Act did not index the base or the phase-out amounts in the dependent care credit so that it became less valuable relative to the cost of day care.

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n160 I.R.C. sections 1(f), 32(i), 63(c)(4), 151(d)(4). There is no corresponding rule in section 21.

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Internal Revenue Service data comparing 1986 (pre-Tax Reform Act) child care credit usage and 1988 (pre-Family Support Act) child care credit usage reflect the taxpayer's difficulty in benefiting from the credit. In 1988 low-income taxpayers received disproportionately fewer benefits from the dependent care credit than did middle- and upper-income taxpayers. n161 This represents a shift in the distribution of benefits for the dependent care credit. While the number of taxpayers with income below $ 15,000 dollars (the minimum gross income that generally triggers a tax liability) slightly increased between 1986 and 1988, the number of these lowincome taxpayers who benefited from the dependent care credit decreased by almost half. n162 This change might well be because [*189] these taxpayers could no longer claim the credit. In general, taxpayers who claimed dependent exemptions for children at home were more likely to claim the dependent care credit as their incomes increased. n163 In contrast, among the subset of taxpayers who had a tax liability before the dependent care credit, those with lower incomes were significantly more likely to claim the dependent care credit. n164 This suggests that significantly more low-income taxpayers would claim the credit if they could receive a benefit from it. It seems probable that taxpayers with incomes between $ 10,000 and $ 30,000 are benefiting less from the credit than before the 1986 Tax Reform Act because the value of the dependent care credit decreased as their incomes rose with inflation. However, because the available data do not track individual taxpayers, this result is only speculative. n165

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n161 In 1988, taxpayers with incomes below $ 10,000, who accounted for 14.8% of taxpayers claiming a child exemption, received 0.7% of expenditures and accounted for 1.5% of taxpayers receiving the credit; those with incomes between $ 10,000 and $ 20,000, who accounted for 20.1% of taxpayers claiming a child exemption, received 20.4% of expenditures and accounted for 21.3% of taxpayers receiving the credit; those with incomes between $ 20,000 and $ 40,000, who accounted for 32.4% of taxpayers claiming a child exemption, received 41% of expenditures and accounted for 40.5% of taxpayers receiving the credit; those with incomes between $ 40,000 and $ 100,000, who accounted for 29.1% of taxpayers claiming a child exemption received 35% of expenditures and accounted for 34.6% of taxpayers receiving the credit; and those with income over $ 100,000, who accounted for 3.6% of taxpayers claiming a child exemption, received 2.7% of expenditures and accounted for 2.2% of taxpayers receiving the credit. In addition, low-income taxpayers who claim the credit typically receive a lower credit than higher income taxpayers. Average credits by income in 1988 were: under $ 10,000, $ 195; between $ 10,000 and $ 15,000, $ 351; between $ 15,000 and $ 20,000, $ 448; between $ 20,000 and $ 40,000, $ 429; between $ 40,000 and $ 100,000, $ 430; and greater than $ 100,000, $ 586. The overall average credit was $ 423. INTERNAL REVENUE SERVICE, PUB. 1304, INDIVIDUAL

INCOME TAX RETURNS 1988 at Table 1.4 & Table 2.3.

n162 The number of taxpayers with adjusted gross income under $ 15,000: 1986, 46,561,525; 1988, 47,002,269; 1989, 46,864,878 (preliminary), an increase of 0.7 percent. (The definition of AGI changed in 1987.) For taxpayers with AGI in 1986, 1,867,873 benefitted from the child care credit; in 1987, 1,348,411; in 1988 1,030,777; and in 1989, 508,952. The number of returns filing for child care credit fell 30% between 1987 and 1989 and 33% between 1988 and 1989. The percentage of taxpayers with AGI under $ 15,000 who had no tax liability increased: in 1986, 40%; in 1987, 41.4%; in 1989, 46.7%. INTERNAL REVENUE SERVICE, STATISTICS OF INCOME BULLETIN, Vol. 11, No. 1, Tables 1 & 3 (1991); INTERNAL REVENUE SERVICE, PUB. 1304, INDIVIDUAL INCOME TAX RETURNS 1986, INDIVIDUAL INCOME TAX RETURNS 1987, INDIVIDUAL INCOME TAX RETURNS 1988. Preliminary 1989 data provided by Statistics of Income Division of the Internal Revenue Service with the assistance of Sandy Byberg.

n163 Assuming that taxpayers claiming an exemption for a child at home are the only taxpayers who can qualify for a dependent care exemption, 2% of taxpayers with income under $ 10,000 claiming a dependent exemption for a child at home claimed a dependent care exemption; 24% of those with income between $ 10,000 and $ 15,000; 26% of those with income between $ 15,000 and $ 20,000; 30% of those with income between $ 20,000 and $ 40,000; 29% of those with income between $ 40,000 and $ 100,000, and 15% of those with income greater than $ 100,000. INTERNAL REVENUE SERVICE, PUB. 1304, INDIVIDUAL INCOME TAX RETURNS 1988 at Table 1.4 & Table 2.3.

n164 Data available only for those taxpayers who had a tax liability after credits. For taxpayers who had a tax liability after credits, 100% of taxpayers with income under $ 10,000 claiming a dependent exemption for a child at home claimed a dependent care credit; 100% of those with income between $ 10,000 and $ 15,000; 31% of those with income between $ 15,000 and $ 20,000; 30% of those with income between $ 20,000 and $ 40,000; 29% of those with income between $ 40,000 and $ 100,000; and 15% of those with income greater than $ 100,000. Id.

n165 In fact, the average credit decreased slightly between 1986 and 1988--from $ 431 to $ 414--for taxpayers with income between $ 10,000 and $ 30,000. However, for taxpayers with income between $ 15,000 and $ 30,000, the average credit increased slightly--from $ 426 to $ 438. However, because the number of taxpayers in both sets of brackets fell, the overall benefit to these brackets decreased. For the $ 10,000 to $ 30,000 bracket, the number of taxpayers fell 10%--from 4,305,819 to 3,860,186--and the amount of benefit fell 14%--from $ 1,855,776,000 to $ 1,598,669,000. For the $ 15,000 to $ 30,000 bracket, the number of taxpayers fell 7%--from 3,171,656 to 2,960,125--and the amount of benefit fell 4%--from $ 1,351,308,000 to $ 1,297,486,000. Id.

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[*190]

ii. Effect of the Family Support Act of 1988

Unlike the Tax Reform Act, the Family Support Act of 1988 directly affected the dependent care credit. The Act required, beginning in 1989, that all taxpayers claiming the dependent care credit include in their tax returns the day care provider's name, address, and taxpayer identification number (TIN); that a qualifying child be under age 13 (instead of 15); and that taxpayers receiving employer dependent care assistance reduce by the amount of that assistance the amount they claim under the dependent care credit. The overall effect of the Family Support Act was significant. Thirty percent fewer taxpayers used the dependent care credit in 1989 than did in 1988, even though the number of taxpayers using the credit had been increasing steadily until then. This reduction in use has had the largest impact on low- and middleincome taxpayers. Between 1988 and 1989, the number of taxpayers with incomes under $ 15,000 claiming the credit decreased by 51 percent and the number with incomes between $ 15,000 and $ 40,000 decreased by 30 percent, as compared to a 23 percent decrease for those with incomes from $ 40,000 to $ 100,000 and a 12 percent decrease for those with incomes above $ 100,000. n166

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n166 In 1989, the number of taxpayers claiming the credit, in adjusted gross income brackets, were: Under $ 15,000, 508,952; $ 15,000 to $ 40,000, 2,952,305; $ 40,000 to $ 100,000, 2,393,232; and above $ 100,000, 176,404. Preliminary 1989 data from the Statistics of Income Division Internal Revenue Service provided by Sandy Byberg. Compare INTERNAL REVENUE SERVICE, PUB. 1304, INDIVIDUAL INCOME TAX RETURNS 1988 at Table 3.3.

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The Service hypothesizes n167 that this shift has been primarily driven by the requirement that taxpayers include the day care provider's name, address, and TIN, either because the taxpayers were improperly receiving the credit or because providers would not provide TIN's. Given current Service findings, both of these possibilities seem likely. A Service study done before the Family Support Act found that 40 percent of taxpayers inflate their day care expenses, resulting in about 28 percent of all claims not being legitimate. n168 After the Family Support Act was enacted, the Service reported a 65 percent increase in the number of returns reporting [*191] income from day care services. n169 This increased federal tax revenue by $ 1.5 billion in 1989 (an increase in revenue equivalent to over 60 percent of 1989 expenditures for the dependent care credit). n170

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n167 The Service acknowledges that further research is necessary to confirm the reasons for the dramatic decline in the use of the credit for 1989. Nancy

Duff Campbell, Testimony before the Select Committee on Children, Youth, and Families, U.S. House of Representatives on the Dependent Care Tax Credit, 91 TNT 83-84 (April 15, 1991); telephone conversation with Sandy Byberg of the Statistics of Income Division Internal Revenue Service, Apr. 23, 1992.

n168 Douglas J. Besharov, Fixing the Child Care Credit: Hidden Policies Lead to Regressive Policies, 26 HARV. J. ON LEGIS. 505, 510 (1989).

n169 John Szilagyi, Program Analysis Officer, Research Division, IRS 1991 Research Conference, Nov. 15, 1991, THE CHILD CARE BUSINESS BOOM OF 1989, 91 TNT 239-36 (Nov. 22, 1991).

n170 Id.

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The policy implications of taxpayers' protecting providers who are not reporting income received are complicated. Ethical considerations of honest reporting of income may be balanced against affordability considerations. Taxpayers who protect these day care providers pay a discounted rate for day care because the providers do not pay taxes on their earnings. And, if the discount the taxpayer receives is greater than the benefit of the dependent care credit that the taxpayer would receive, the taxpayer might choose not to claim the credit. This calculus might be especially appropriate for decisions involving family day care or in-home nonrelative care. This may not be the case, however, where alternative day care is not accessible or affordable and the taxpayer is not in a bargaining position to choose whether to report a provider's TIN.

The Act's requirement that taxpayers receiving employer dependent care assistance n171 reduce by the amount of that assistance the amount they claim under the dependent care credit may also have reduced taxpayers' claims for the dependent care credit. This seems unlikely because credits are generally more valuable than deductions to taxpayers in lower brackets and low-income taxpayers decreased their use of the dependent care credit more than high-income taxpayers. The above discussion shows that even though the dependent care credit seems to target low- and middleincome taxpayers, because of the environment in which the credit functions, its success has been limited.

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n171 See infra III.B.2.

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c. Quality Effect of the Dependent Care Credit

The dependent care credit itself imposes almost no requirements as to the quality of the day care providers to whom payments are eligible for the credit. n172 As such, it would seem

that parental concerns would drive the form of day care funded with [*192] the dependent care credit. While their children's development is one factor in parental decision making, it is not the only or even necessarily the predominant factor. As a result, the quality of day care may be lower in day care funded by the dependent care credit than that funded by direct grant or regulated in some other way.

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n172 Other rules may, however, provide some assurance of quality, e.g., providers who care for seven or more children must meet state licensing requirements. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 201.

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It is not clear what the effect of the TIN requirement will have on day care quality. Gray market providers who do not declare income are often unregulated family day care providers. Users of this care are unable to claim the dependent care credit because they do not have a TIN to report. Yet, parents, especially low-income parents who receive little benefit from the credit anyway, may be more likely to use this less expensive day care, which is typically of a low quality as measured by child development.

The existence of these problems does not require the conclusion that the dependent care credit should not be used to fund day care. The American Bar Association Task Force on the Child Care Credit in 1990 determined that low-income families could benefit from the credit if certain structural changes were made to it. The Task Force suggested that the credit be refundable, available on an advance payment basis, and adjusted for inflation and family size. n173 Yet even with these proposed changes, on a strictly cash flow basis it will almost always be jointly advantageous to parents and providers to not declare the income and not take the credit. On the other hand, by decreasing the net cost of taxes by methods such as those suggested by the Task Force, the federal government could decrease the incentive to cheat on taxes.

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n173 American Bar Association Section of Taxation, Report of the Child Care Credit Tax Force, 46 TAX NOTES 331, (1990).

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2. Employer-Related Tax Provisions

The Code funds day care through another mechanism that allows taxpayers to exclude from income employer-related dependent care assistance paid for or provided by their employers. Enacted in 1982, section 129 of the Code permits employers to make available to employees, free of tax, up to $ 5,000 per year for childcare expenses through a dependent care assistance program. n174 In 1988, the federal government indirectly funded $ 135

million of day care through dependent care assistance programs. Despite the fact that employer-assisted day care is expanding, it is unclear whether [*193] this rate of increase will continue. As mentioned above, the Family Support Act changed its requirements beginning in 1989. The Family Support Act now requires that taxpayers receiving employer dependent care assistance reduce by the amount of that assistance the amount they claim under the dependent care credit. In addition, though the expansion of dependent care assistance program use has been rapid, the dependent care assistance program tax expenditure was still only three percent of the amount of the dependent care credit in 1988. n175

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n174 Economic Recovery Tax Act, Pub. L. No. 97-34, section 124, 95 Stat. 172, 198. See also WILLIAM A. KLEIN, ET AL, FEDERAL INCOME TAXATION 573 (8th ed., 1990).

n175 U.S. TREASURY DEPARTMENT, SPECIAL ANALYSIS G, 1990 TAX EXPENDITURE BUDGET reprinted in 42 TAX NOTES 347 (1989)

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a. Cafeteria Benefit Plan Dependent Care Assistance Programs

The most common mechanism by which employers provide dependent care assistance programs is cafeteria benefit plans. Section 125 of the Code allows employees to choose among a variety of nontaxable benefits, one of which is a qualified day care program as defined by section 129 of the Internal Revenue Code. n176 Where dependent care assistance programs are available through employers, the choice between the exclusion for dependent care assistance programs and the dependent care credit will primarily be governed by the marginal tax rate. To decide whether to use the dependent care assistance program through her cafeteria plan or the dependent care credit, an employee compares the amount of her marginal tax rate multiplied by her dependent care assistance program amount up to $ 5,000 to the amount of her percentage refund under the dependent care credit mulitiplied by her day care expenditures up to the $ 2,400 or $ 4,800 cap. n177 If the taxpayer's expected tax savings from the dependent care assistance program is higher than her expected dependent care credit, she should select the exclusion for the dependent care assistance program. This will typically be the case for taxpayers with adjusted gross incomes over $ 24,000, who face a combined federal income and FICA tax rate of 22.65 percent and receive a child care credit of only 24 percent.

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n176 KLEIN, supra note 174, at 114-15.

n177 Id. at 573-74.

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b. Employer-Provided Day Care

Dependent care assistance programs can take the form of day care paid for by an employer or provided by an employer. Al- [*194] though cafeteria plans are most commonly used to provide day care support to employees, some employers are taking more forceful initiatives in providing day care support. n178 Employers offer a variety of programs including resource and referral services, n179 day care centers, sick child care programs, local day care provider discounts, voucher programs, after school hotlines n180 and financial support for day care facilities. Employers have even begun to provide funding to train family day care providers to care for infants in their home environments. n181 While at least one federal legislative proposal would have provided employers with a tax credit for providing on-site day care centers, no federal bill providing this credit has been passed into law. n182 A few states have created tax credits to encourage employers to provide day care facilities. n183

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n178 Governor Recognizes Four Employers From Seattle, Olympia and Vancouver for Innovative Child-Care Programs, (PR NEWSWIRE, Olympia, Wash., radio broadcast, Nov. 7, 1991).

n179 Only 300 resource and referral agencies exist across the country. About 1500 companies contract with these local referral agencies to provide counseling and referrals to their employees. DANA E. FRIEDMAN & ELLEN GALINKSKY, FAMILIES AND WORK INSTITUTE, WORK AND FAMILY TRENDS 9 (1991). However, the effectiveness of [resource and referral agencies] depends on the adequacy of the child care supply. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 173-74.

n180 FRIEDMAN & GALINSKY, supra note 179, at 8-9.

n181 FRIEDMAN & GALINSKY, supra note 179, at 8.

n182 Cathleen Phillips, DeConcini Offers Employers Tax Credit for On-Side Day Care, 50 TAX NOTES 1313 (1991).

n183 In 1987, Florida, Connecticut, Maine, and Rhode Island had such legislation. Christine A. Clark, Review of Florida Legislation--Comment--Corporate Employee Child Care: Encouraging Business to Respond to a Crisis, 15 FLA. ST. U.L. REV. 839, 848-52 (1987).

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Employers typically do not provide day care benefits unless doing so provides some financial benefit for them, in the form of employee loyalty, reduced absenteeism, down time, and turnover, enhanced recruitment, and elevated employee morale. Responding to these financial benefits and employees' demands for changes in day care benefits, employers have been slowly increasing the amount of on-site or nearby day care they provide. But while the

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STUDENT PAPER: DAY CARE AND TAX POLICY

The following student paper was awarded first prize in the Twelfth Annual Student Writing Contest

GISELLE SERED*

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TEXT:
[*159]

I. INTRODUCTION

Issues involving family and tax policy are often intermeshed. n1 Some accuse the tax system of sexism n2 while others argue that the tax system is too generous to working women and is destroying the family. n3 Since the early 1970s children's and women's advocates have urged increased government funding and tax incentives n4 to support the provision of day care. n5 These advocates have projected that an increasing number of women would be entering the work force and that the day care system would not be sufficient to provide adequate developmental opportunities for children.

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n1 Boris I. Bittker, Federal Income Taxation and the Family, 27 STAN. L. REV. 1389 (1975); Joseph A. Pechman & Gary V. Engelhardt, The Income Tax Treatment of the Family: An International Perspective, 43 NAT'L TAX J. 1, 1 (1990).

n2 Grace Blumberg, Sexism in the Code: A Comparative Study of Income Taxation

number of companies with on-site child care centers grew five-fold between 1984 and 1989, the relative number of centers is still low. Recent surveys have indicated that anywhere from 2 to 7 percent of employers provide on-site day care, n184 though one source noted [*195] that in 1990 only 2,000 of the 6 million businesses in the U.S. had day care facilities. n185 While some do not think on-site care will evolve into a primary form of day care, n186 others are much more optimistic. n187

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n184 A 1991 survey indicated that as many as 16% of employers provided or intended to provide on-site day care facilities. EMPLOYERS COUNCIL ON FLEXIBLE COMPENSATION BY SWINCHART CONSULTING, INC., Workplace Pulse, Table 2-3 (Apr. 1991). Only 7% of employers currently have on-site centers. Only 7% of employers currently had on-site child care, but 28% planned to offer on-site care by the year 2000. Nina Burleigh, Health, Family Issues Drive Trends in Employee Benefits, CHICAGO TRIBUNE, Jan. 5, 1992, at C8. Only 2% of employers offered on-site or nearby day care. CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 126.

n185 Kathryn G. O'Neill & Anthony L. Tocco, Are Child Care Assurance Programs A Crucial Investment?, 6 FIN. EXECUTIVE 191 (1990). One study shows that service industry employers are the most likely to offer on-site day care. WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 163.

n186 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 163.

n187 FRIEDMAN & GALINSKY, supra note 179, at 163-64.

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Although employers seem to be increasing their support of onsite day care, reaction to this benefit has been mixed. Especially where employers are both providing and subsidizing the cost of the on-site day care centers, day care offers recruitment assistance, shorter maternity leaves, improved public relations, reduced employee tardiness (if day care hours match operating hours well), and decreased turnover. n188 Despite these employer benefits, not all employees prefer on-site day care. In a telephone survey of 1,204 employees, those who used day care were almost twice as likely to prefer subsidies to on-site centers. n189 In addition, though on-site day care is by definition closer to the parent's work place, most respondents preferred day care to be close to home and schools rather than close to work. n190

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n188 In a national study of child care programs funded by the U.S. Department of Health and Human Services, 95% of human resource directors reported that they felt the benefits of child care programs at their companies outweighed the costs. Ransom et al., supra note 150, at 54.

n189 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 163.

n190 Overall preferences: Close to job, 33%; close to home and schools, 58%. Workplace Pulse, supra note 184, at Table 2-3. See also WHO CARES FOR AMERICA'S CHILDREN, supra note 7, at 164 (listing examples of on-site day care centers that were unsuccessful because they were underused by employees).

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Although support for employer-provided on-site centers has increased, employers prefer to support day care through dependent care assistance programs because they only have to pay for administrative costs, n191 do not have to pay social security or federal unemployment insurance taxes for these nontaxable benefits, and may still deduct the nontaxable benefits as salary expenses. n192 Because the employer does not have to pay social security or federal unemployment insurance taxes for the nontaxable benefits, if the [*196] employee's income plus the dependent care assistance program exclusion is less than the caps for these expenditures, the employer is considered to receive a subsidy from the government. n193 In a recent survey of employers, 91 percent of those surveyed offered dependent care assistance programs. n194 Yet despite the prevalence of this benefit, one source found that nationwide participation rates in pretax spending accounts under dependent care assistance programs were extremely low, between 2 and 5 percent. n195 The exclusion for dependent care assistance programs, unlike the dependent care credit, is overtly regressive. n196 That is, the exclusion for dependent care assistance programs provides more benefits for taxpayers in higher marginal tax brackets than for taxpayers in lower marginal tax brackets. Furthermore, because dependent care assistance programs are not typically offered by companies employing predominantly low-income workers, the regressivity of the exclusion for dependent care assistance programs is exacerbated. n197

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n191 FRIEDMAN & GALINSKY, supra note 179, at 10.

n192 KLEIN, supra note 174, at 114.

n193 Robins, supra note 117, at 77.

n194 Resource and referral services, 39%; day care centers, 9%; sick child care programs, 5%; local day care provider discounts, 4%; voucher programs, 3%; and financial support for day care facilities, 2%. Two-thirds of Large Employers Surveyed Offer Some Child Care AID, Hewitt Finds, 18 PENS. REP. (BNA) No. 43, at 1943 (Oct. 19, 1991) [hereinafter Hewitt].

n195 Laurel A. Touby, On-site Child Care is Lacking in New York, CRAIN'S N.Y. BUS., Nov. 25, 1991, at 25.

n196 Robins, supra note 117, at 77.

n197 Id.

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Like the dependent care credit, the dependent care assistance program deduction was affected by the Tax Reform Act and Family Support Act. By decreasing the tax liability of low-income taxpayers, the Tax Reform Act further diminished the value of the dependent care assistance program exclusion for low-income taxpayers just as it diminished the value of the dependent care credit. n198 At the same time the 1986 Act made the dependent care assistance program exclusion less regressive by making the tax rates themselves less progressive. n199 As discussed, the Family Support Act limits taxpayers ability to use both the dependent care credit and the dependent care assistance program exclusion by reducing the amount of eligible expenses under the dependent care credit by amounts claimed as a dependent care assistance program exclusion. n200 For taxpayers for whom the value of the dependent [*197] care credit is greater than the value of the dependent care assistance program, the dependent care assistance program is of no value.

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n198 Id. at 78.

n199 Id.

n200 Id.

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Employer-supported day care, especially on-site centers, may also be as inaccessible to low-income taxpayers because many lowincome taxpayers are still unable to afford high quality employersupported day care. n201 On the other hand, employer-supported day care provided in the form of resource and referral centers, family day care provider training, and after-school telephone hot-lines may be very accessible to low-income taxpayers. Unless the employer provides day care for the community at large in addition to its own work force, employer-supported day care still only reaches employed individuals.

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n201 WHO CARES FOR AMERICA'S CHILDREN, supra note 7, at 164.

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Because of the variety of mechanisms by which employers currently support day care, it is difficult to assess the quality of care provided by employer-supported day care. Ad hoc findings indicate that employer-supported on-site day care tends to be of high quality for two primary reasons: businesses are concerned about their images within their communities, and the parents of children in on-site day care centers enjoy greater accessibility to the centers.

As companies become more involved in day care support, they may create incentives for parents to use high quality care. Although most employers do not place quality requirements on the day care used by employees, some employers are providing family day care provider training, encouraging the use of licensed centers, n202 and developing their own centers. n203 Most employers offer not-forprofit on-site centers, which typically provide high child-development quality, but increasingly employers are contracting with forprofit centers to provide on-site day care. n204

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n202 See supra text accompanying notes 178-83.

n203 See FRIEDMAN & GALINSKY, supra note 179, at 8.

n204 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 163.

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3. Tax Exemptions for Not-for-Profit Day Care Centers

The federal government funds a small amount of day care through the tax system by giving not-for-profit day care centers tax exempt status. Since 1984, under sections 170(c) and 501(k) of the Code, not-for-profit centers have been receiving deductible contributions and are themselves exempt from taxation. Typically [*198] these centers develop in religious organizations, n205 other traditionally not-for-profit organizations, and not-for-profit day care organizations. n206 In 1988, through their tax-exempt status, the government channeled $ 2.5 million to these groups. While this is a relatively insignificant amount of funding compared to the $ 6.9 billion funded by the government, and not-for-profit day care centers receive substantially more funding directly through the SSBG program, giving these not-for-profit day care centers tax exempt status facilitates their receiving assistance from community members and others who share the values of these organizations. For notfor-profit day care, which is generally of high quality as measured by child development, perhaps allowing these organizations to receive tax deductible charitable contributions helps to foster community values.

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n205 Nearly one-third of all child day care facilities operated in the U.S. are sponsored or run by religiously affiliated organizations. John W. Whitehead, Accommodation and Equal Treatment of Religion: Federal Funding of Religiously-Affiliated Child Care Facilities, 26 HARV. J. ON LEGIS. 573 (1989).

n206 See CHILD CARE: A WORKFORCE ISSUE, supra note 18, at 60.

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4. Voucher System

Like not-for-profit day care, day care funded by vouchers offers high quality as measured by child development and parental satisfaction. The voucher system is a flexible funding mechanism that is generally run by a federal or state n207 government agency or by an employer. The system is used as a substitute for the directly funded programs. No estimate is available for the amount of day care subsidized through vouchers.

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n207 One source of funding for state government voucher programs is federally funded SSBGs. Vouchers are one method of payment under the SSBG program. This program, a form of provider subsidy, primarily contracts directly with providers and reimburses them for services to children in low-income families. A small percentage of payments are made through vouchers to parents. Voucher programs are designed to respond to fluctuations in the demand for subsidized care and can make available to parents a broader range of child care programs than the direct provision of services can make. Instead of purchasing spaces the voucher programs gives parents a coupon that can be redeemed by any child care service that meets legal requirements, including family day care. The provider is then reimbursed for the value of the coupon. WHO CARES FOR AMERICAS CHILDREN?, supra note 7, at 205-06.

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For vouchers funded by the federal government, the government is able to provide flexibility to day care users while maintaining substantial control over day care quality. In the voucher system, parents select a licensed or registered day care provider and must only pay an income-tested fee for that day care. An adminis- [*199] tering agency pays the balance of the day care cost directly to the day care provider after checking that the child has actually been in day care. The vouchers can only be used for licensed or registered caregivers. n208 In addition to being flexible, vouchers alleviate the supply-demand discrepancies generally associated with subsidized care. With vouchers, parents can choose from a greater variety of providers outside of set geographical boundaries and are not limited to a specific number of slots within each center. n209

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n208 Id. at 176.

n209 Id.

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An alternative to federally funded vouchers is found in employer-funded vouchers. Employers use vouchers to support day care to a very limited extent. n210 These programs

are very expensive for employers because they are not subsidized by the federal government. They require employers to actually contribute to the cost of day care rather than providing an employee pre-tax salary dollars through a cafeteria plan. Employer vouchers do insure certain day care quality levels. Generally, employers provide vouchers for centers at which the employers have already negotiated a discount for employees. n211 Some employers, however, have initiated voucher programs for low-income (below $ 30,000) employees that allow employees to choose the provider. n212 In some cases, the employer gives the employee an incentive to use licensed care by increasing the subsidy rate for licensed care. n213

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n210 Resource and referral services, 39%; day care centers, 9%; sick child care programs, 5%; local day care provider discounts, 4%; voucher programs, 3%, and financial support for day care facilities, 2%. Hewitt, supra note 194, at 1943.

n211 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 177.

n212 For example, since 1971 Polaroid has offered a voucher subsidy that varies with family size and income. FRIEDMAN & GALINSKY, supra note 179, at 10.

n213 Id.

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Some concern has been raised about the effect of vouchers on the day care system as a whole. Conservatives favor choice. As a result, they favor vouchers because they believe vouchers will drive a more efficient market which will drive down day care costs and increase choices. Others are concerned that vouchers will actually drive up the cost of day care as demand for day care increases. And, while the flexibility that vouchers give to parents is often considered a positive attribute of vouchers, not all commentators consider flexibility beneficial. Some consider parents, especially those currently using direct-funded day care, to be poorly equipped to select quality day care. Even if this is true, the [*200] voucher system may still be a means of directing the choices of parents who do not have access to centers funded by direct grants if resource and referral systems are used or if licensing or registration requirements are imposed on use of the vouchers. n214 In any case, while day care chosen by voucher users may not always be as regulated as day care provided by centers funded by direct grants, in comparison to the dependent care credit, vouchers "would facilitate monitoring the quality of care provided." n215 In addition, in contrast to the current dependent care credit, the vouchers could readily be used to target low-income families.

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n214 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 177-78.

n215 Hoerner, supra note 8, at 812.

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IV. ALTERNATIVE FUNDING MECHANISMS

Throughout the discussion, this paper has tried to gauge the level of quality of the day care providers and how day care funding affects the quality of care received by different income groups. The day care system is complex, and the quality, affordability, and distribution concerns raised above cannot be adequately addressed with a single solution. The current funding mechanisms for day care do not adequately address the quality, affordability, and distribution concerns discussed. Certainly, as day care advocates have stated, the day care dilemma may ultimately only be solved by the allocation of more dollars to the day care system. n216 But, given that the federal government spent in direct grants and other subsidies $ 6.8 billion on day care in 1988, n217 there should be a method of maximizing the effectiveness of these dollars in providing day care that is high quality and meets parents' needs.

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n216 Whether more money for income transfers to low-income families is channeled through the tax system or through means tested programs, of course, such additional spending would need to be financed by lower spending for other purposes, higher taxes, or borrowing. Marvin H. Kosters, American Enterprise Institute Official Testifies on Tax Burden of Working Families, 91 TNT 151-29 (July 18, 1991) (Wage and Income Trends, Distributions, and Policy Testimony for Committee on the Budget, U.S. House of Representatives, July 17, 1991).

n217 WHO CARES FOR AMERICA'S CHILDREN?, supra note 7, at 197.

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To date, quality concerns for day care have been primarily addressed through licensing requirements and quality standards for direct grants. Regulating quality through these requirements has not been sufficient. Day care providers are unlikely to improve their quality solely because licensing requirements are imposed upon them. As noted, in spite of these requirements, 90 percent of [*201] family day care providers are not even regulated. And for those day care providers who are regulated or licensed, licensing requirements have not improved the accessibility of day care because licensed day care is more expensive than unlicensed day care.

While quality standards for direct grants have been somewhat more successful in improving quality for these programs, less than half of federal day care expenditures are allocated to these programs. Although programs subsidized by direct grants offer quality day care as measured by child development, they may offer low levels of parental satisfaction because they are inconveniently located or do not share the parents' values.

Despite the current differences in quality among day care providers, these quality differences are not inevitable. For example, family day care providers typically have less caregiver training than organized center caregivers, but that need not be the case. Training could be required of family day care providers. Requiring training could cause the family day care providers to increase prices and make infant and toddler care less affordable, n218 it is not clear that prices would rise to the level of organized care centers since family day care providers would still probably have less overhead than organized centers. n219

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n218 Family day care has been the primary provider for infant and toddler care.

n219 This would become less true if they were regulated.

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Likewise, the differences between for-profit and not-for-profit organized care could be resolved. Licensing requirements could mandate that the staff members of organized care providers have a certain level of training. This would increase the operating costs of for-profit providers and they would most likely look more like notfor-profit providers. In fact, expensive organized for-profit centers often offer the quality of not-for-profit centers.

The differences between unregulated family day care and selfcare and other forms of day care are not so simply resolved. In making day care decisions the users of unregulated family day care and self-care have made a cost based choice that demands free or very low cost care. In these cases, where it would be almost impossible to regulate provider quality through licensing, perhaps the funding system should discourage use of these lower quality forms of day care. Currently, however, by not providing affordable day care, the federal government actually rewards use of lower quality formats such as unregulated family care and self-care.

As an alternative to licensing requirements, day care funding [*202] mechanisms might be a more effective means of improving day care quality, accessibility, and affordability. This paper has discussed several funding mechanisms that have affected day care quality, affordability, and distribution. The use of these funding mechanisms has changed in the past decade. In 1977, 75 percent of federal day care spending--direct grants and tax subsidies--targeted low-income families by direct grants; by 1980, this spending level had dropped to only 65 percent, and by 1988, to 40 percent. n220 Although on a theoretical basis it seems that quality, affordability, and distribution concerns could be met through almost any of the current funding mechanisms--direct grants or other subsidies, n221 on a practical basis these mechanisms do not subsidize the same children. Direct grants, which constituted 40 percent of federal day care funding in 1988, target low-income children, while Head Start grants benefit low-income three- to fouryear-olds only. Other subsidies, which constituted 60 percent of federal day care funding in 1988, almost entirely benefit middleand upper-income children through the dependent care credit.

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n220 Philip K. Robins, Economic Implications of Dependent Care Alternatives, 46 TAX NOTES 343, 350, Table 3 (Federal Spending for Child Care, 1977-1988) (1990).

n221 Hoerner argues, "Much of the argument over whether grants [direct funding] or tax credits [indirect funding] should be used is misplaced" because per child subsidies to day care providers or parents should "result in exactly the same economic consequences." Moreover, he notes that this result can be found in any public finance text, saying that "either grants or tax credits could be accompanied by eligibility standards for care providers, but neither need be." Hoerner, supra note 26, at 148.

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Not only do these funding mechanisms benefit different children, they benefit them in different ways. In 1988, 450,000 children received $ 1.2 billion in day care benefits through the Head Start program, a direct grant program. Each child received almost $ 2,700 in day care benefits. Yet, Head Start reaches only 20 percent of the children who are eligible and it is usually not a full day program, so that parents must rely on secondary forms of day care. There are no statistics on the per child benefit from the SSBG program, but SSBG benefits differ as well. Typically, they provide quality day care with compensatory educational benefits like Head Start, but they also provide full day care to low-income children. In contrast, in 1989, 6 million households received $ 2.4 billion in dependent care credit benefits. On average each household received about $ 400, about 16 percent of the cost of day care.

Although the current funding mechanisms seem to distribute day care benefits without adequately addressing quality, af- [*203] fordability, and distribution concerns, they need not do so. The current funding mechanisms could be changed. For instance, the federal government is already using vouchers to provide some day care benefits. As discussed, voucher programs regulate quality through administrative agencies that pay the balance of the day care cost directly to the day care provider only after checking that the child has actually been in licensed or registered day care. Through the voucher program the federal government is able to regulate quality, target low-income children, and offer parents choices, at least a choice among licensed providers. The use of the voucher program is far from pervasive, and it is not clear that the benefits that parents might receive would outweigh the cost of developing the administrative structure necessary to both regulate the day care industry and distribute funds. Perhaps such a structure could be developed over time, but given the current limited resources available, developing it would not be an effective use of funds.

On the other hand, linking payment and licensing seems to be a successful method of providing day care. It has worked in the direct grant program, the federal voucher program, and some employer programs. In addition, taxpayers may even prefer funding and quality decisions to be linked. In a recent survey indicating that most individuals think that employers or the government should provide day care assistance, respondents preferred direct subsidies

to tax credits. n222 The tax system could provide a means of linking funding and quality and address distribution concerns as well. While funding day care through the tax law can cause compliance and administrative problems and add complexity, n223 the tax system has the advantage over the voucher system of already having a distribution system in place. n224 Moreover, funding day care [*204] through any system, even a voucher system, might cause compliance and administrative problems.

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n222 Respondents preferred direct subsidies to day care facilities (48%) over tax credits to all parents of children under 13 regardless of whether both parents work (44%) and over additional tax credits to families with children in which both parents work (40%). Most Surveyed Individuals Support Family Leave, EBRI Reports, Pensions & Benefits Daily (BNA) (Jan. 22, 1992).

n223 American Bar Association Section of Taxation, Report of the Child Care Credit Task Force, 46 TAX NOTES 331 (1990).

n224 But see Kosters, supra note 216 and accompanying text. Kosters, resident scholar and director, economic policy studies, American Enterprise Institute for Public Policy Research, argues that in the context of welfare and the earned income tax credit the tax system may not be the best method by which to assist low-income taxpayers. He argues that "since the Family Support Act of 1988, discussion of policies to bring about more redistribution has turned from the welfare system to the tax system" but because low-income families now pay little or no income tax, the tax system can be used merely as a channel for welfare payments. Yet the tax system lacks the resources to "fairly and responsibly" administer a complex welfare program such as the EITC. In concluding, this economist finds that "the form that . . . support should take and conditions for access to it are probably more important social policy issues than whether more cash payments should be made through the tax or welfare system." Kosters, supra note 216, at 151-29.

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The tax system in its current state would not provide an adequate substitute for the voucher system. As discussed, the tax subsidies primarily reach middle- and high-income children and do not affect day care quality selected (unless providers who use TIN's offer higher quality care). Yet, as the American Bar Association suggested, low-income families could benefit from the dependent care credit if the credit were refundable, available on an advance payment basis, and adjusted for inflation and family size. n225

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n225 See supra text accompanying note 173.

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These changes would impose additional complexity on the tax distribution system, but they would not seem to pose too great a burden. In contrast, while licensing or other quality requirements could be imposed on the system, these requirements could potentially impose a tremendous administrative and social service burden on the Service. This could be avoided if the licensing procedure were administered by a separate federal agency. Together, the tax system and a licensing agency could replicate the structure of a voucher system.

Unfortunately, even if more of the benefits of the current dependent care credit are shifted to low-income children, the dependent care credit currently subsidizes less than 20 percent of the cost of day care for a household. While not all direct grant programs subsidize the entire cost of day care, they subsidize more than 20 percent of the cost. For low-income children this subsidy might not change the quality or accessibility of day care. For instance, where parents use day care providers without TIN's, the federal government subsidizes both the parents and the day care providers because the price of day care is lower and the provider does not pay income taxes. In most cases this subsidy is probably even greater than the subsidy to the recipient of the dependent care credit. Thus parents might still be encouraged to use unlicensed care, especially since day care providers will ultimately pass on to day care users at least some of the cost of paying taxes and meeting licensing requirements. However, the day care providers without TIN's are illegally not paying taxes, and a day care licens-
[*205] ing agency might be an effective tool for discouraging this evasion.

It may not be effective to shift direct grant funding to tax subsidy funding. Direct grant funding is channeled to Head Start programs and not-for-profit day care organizations. Head Start is not a true day care program. Its purpose was not to provide day care but to provide an educational equalizer for three- to four-year olds. While Head Start does provide quality care, it primarily meets educational goals. It typically does not provide full day care, and provides that care to only 20 percent of the children eligible. Only if all federal day care funding were used for Head Start would all eligible children (low-income three- to four-year-olds) benefit from the program--even then, most would only receive care for a halfday. Unless the federal government makes an effort to add full-day care to the educational thrust of Head Start programs, it seems that the issue of federal funding for day care should be addressed separately from the issue of federal funding for Head Start. Certainly federal funding should not be shifted away from Head Start, but if additional day care funds are allocated to Head Start, they should be used for day care, not for education.

It may also not be effective to shift funding away from SSBG programs. Though SSBG programs do not balance supply and demand well, they provide quality care and subsidies for not-forprofit care. This not-for-profit care is often high quality care. Because not-for-profit care receives relatively little support through tax subsidies, continuing SSBG programs may be an effective means of maintaining or even encouraging quality care that could set standards for the day care community.

Tax subsidies also benefit day care users through employers. Though this day care typically only reaches middle- to upper-income employees, the reach of employer day care

benefits could be extended. For instance, the tax system could give tax benefits to employers who create community day care in addition to employee day care. Employer day care could take the form of day care centers as well as funding contributions. Especially if quality requirements were mandated for this form of day care, its subsidization by tax expenditures might supplement the limited direct grant expenditures for SSBG programs.

The solution to the funding mechanism problem is certainly not clear. Yet, by making changes to the current system, we could at least begin to address the quality, affordability, and distribution problems discussed. Ultimately, a combination of the voucher system and SSBG programs might be an effective solution. Until suffi- [*206] cient funding is available to develop the infrastructure necessary for a voucher system, a satisfactory near term solution would be to make the tax system more equitable in its distribution of benefits and to tie those benefits to quality requirements.

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Key Facts About Child Care and Early Education:

A Briefing Book

Gina C. Adams
Nicole Oxendine Poersch

Children's Defense Fund

BASIC FACTS ABOUT CHILD CARE AND EARLY EDUCATION

Child care and early education are a part of the fabric of the daily lives of millions of American families, as the majority of children have working parents who must find some way of ensuring that their children are safe and well cared for during working hours. While research has shown that the quality of these settings can make a significant difference in children's health, safety and early learning, it is clear that far too many American children are being cared for in poor quality settings that are jeopardizing their safety and development. This is a particular problem for low-income children who need a strong start to overcome the disadvantages of poverty.

Child care and early education are a necessity for millions of American families. Millions of children of all income levels are cared for by someone other than their parents every day.

- Each day, an estimated 13 million children spend some or all of their day being cared for by someone other than their parents,[1] allowing their parents to work to support their families. Many of these children enter non-parental care by 11 weeks of age, are in care for close to 30 hours a week, and often stay in some form of child care until they enter school.[2]
- In 1991, four out of five parents of preschool children (ages three to five) reported that their children were in (or had been in) some form of non-parental care.[3]
- Many children are in care for many hours each working day. In 1990, children younger than five whose mothers were employed were in child care centers and family child care homes between 35 and 40 hours per week, on average, while their mothers were working.[4]
- The majority (59 percent) of working families who rely on non-parental care for their preschoolers use child care centers (which include nursery schools, Head Start, and prekindergarten programs) and family child care homes.[5] Of children younger than five with employed mothers who were cared for by someone other than their parents in 1993, the Census Bureau found that:
  - ⇒ 2.9 million (38 percent) were cared for in child care centers or nursery schools,
  - ⇒ 1.6 million (21 percent) were cared for in family child care programs,
  - ⇒ 2.5 million (33 percent) were cared for by relatives, and
  - ⇒ 0.5 million (6 percent) were cared for by nannies in their own homes.
- Many families in which the mother is *not working* also use child care or early education for their children. In 1990, almost 20 percent of children younger than five whose mothers were not employed were in some kind of child care or early education arrangement.[6]

Child care keeps America working--it is a fundamental part of the economic fabric of this country.

- In 1995, three out of five (62 percent) women with children younger than six, and three-quarters (77 percent) of women with children ages six to 17, were in the labor force. In addition, growing numbers of women with very young children are in the work force--59 percent of women with children younger than three were in the labor force in 1995.[7] All of these working mothers must find someone to care for their children in order to work.
- Women often play a major role in supporting their families financially. A 1995 study found that 55 percent of the women interviewed contributed half or more of their household income (18 percent contributed all, 11 percent more than half, and 26 percent contributed half). Even among employed women in married couples, 48 percent contributed half or more of their household income.[8]
- Child care is also critical to worker productivity. A lack of reliable child care can cause workers to lose time and be less productive at work. For example, a 1990 study found that nearly one out of every six mothers employed outside the home reported losing some time from work during the previous month due to a failure in their regular child care arrangements.[9] Similar studies have found even higher rates for low-income mothers.[10]
- Additionally, child care and early childhood education providers make a sizable contribution to the economy as small business owners. While precise numbers are not available, hundreds of thousands of child care providers in this country operate as small businesses and contribute to the national tax base. These providers also help the national economy by keeping children safe and healthy while their parents work.

Child care and early education provide important early learning experiences for many children during their critical learning years, and are particularly important for low-income children.

- The early childhood years are particularly critical to children's development and future success. A recent Carnegie Corporation study noted that the first three years of life are critical in children's brain development, and that their brain development is far more susceptible to adverse influences than had been realized. Specifically, "the quality of young children's environment and social experience has a decisive, long-lasting impact on their well-being and ability to learn."[11]
- Research shows that children in better quality child care/early education programs have stronger language, pre-mathematics, and social skills than those in lower quality classrooms, and have better relationships with their teachers and more positive self-perceptions. It also found that quality care has an even greater impact on "at-risk" children's language skills and self-perception.[12]
- A recent study examined a broad range of research on the impact of early childhood programs on low-income children's development, and found that good programs can affect children's long-term success in areas such as school achievement, higher earnings as adults, and decreased involvement with the criminal justice system.[13]

- A similar study conducted for the U.S. Department of Education found that preschool education programs for children considered to be "at-risk" of school failure have been effective in six major areas: improved cognitive abilities, improved classroom learning behavior, gains in socio-emotional development, higher family satisfaction and stronger parent-child relationships, greater likelihood of long-term school success, and improved likelihood of long-term social and economic self-sufficiency.[14]

- Early childhood programs can result in significant cost savings in both the short and long-term. For example, a study of the short-term impact of the Colorado prekindergarten program found that it resulted in cost savings of $4.7 million over just three years in reduced special education costs. And a study of the long-term impact of a good early childhood program for low-income children found that after 27 years, each $1.00 invested saved over $7.00 by increasing the likelihood that children would be literate, employed, and enrolled in postsecondary education, and making them less likely to be school dropouts, dependent on welfare, or arrested for criminal activity or delinquency.[15]

Many children across the nation are in poor quality care, and are not getting the early care and education they need to be safe and to get a strong start. Low-income children face particular difficulties in getting the care that can help them succeed.

- Kindergarten teachers estimate that one in three children enters the classroom unprepared to meet the challenges of kindergarten.[16]

- National studies have found serious problems with the quality of child care:
  - ⇒ A study of the quality of child care centers found *"child care at most centers in the United States is poor to mediocre."* It found that one in eight centers (12 percent) provided less than minimal quality care, and only one in seven (14 percent) received a rating of good quality care for children overall.[17] [Less than minimal quality care is care that jeopardizes children's health, safety, and development.]
  - ⇒ Care in child care centers was of particularly poor quality for infants and toddlers--fully 40 percent of the rooms serving infants in child care centers provided less than minimal quality care, and only one in twelve (8 percent) received a rating of good quality care for this age group.[18]
  - ⇒ A national study of child care in family-based settings found equally alarming patterns in family child care programs, which many parents use to care for their younger and more vulnerable children. This study found that *over one-third* of the programs were rated as inadequate, which means that their quality was low enough to actually harm children's development. Only 9 percent of the homes in the study were rated as good quality, which was defined as enhancing the growth and development of children.[19]
  - ⇒ Furthermore, the study of family child care programs found that low-income and minority children in family-based settings were more likely to be in lower quality programs than other children.

- A recent Carnegie Corporation study noted that children in low- and moderate-income families are more likely to be cared for in settings that do not meet quality standards (such as unregulated family child care and profit-making centers), and that there are long waiting lists at the high-quality programs that exist for these families.[20]

A broad range of officials agree that child care and early education should be a top priority for our country.

- A recent poll of police chiefs from across the country[21] found:
  - ⇒ More than nine out of ten police chiefs (92%) agreed with the statement that "America could sharply reduce crime if government invested more in programs to help children and youth get a good start" by investing in programs such as Head Start for infants and toddlers, parenting education, and providing after-school programs and mentoring.
  - ⇒ Nine out of ten also agreed that a failure to invest in such programs would result in higher costs later in crime, welfare, and other costs.
  - ⇒ Police chiefs ranked "increasing investment in programs that help all children and youth get a good start" as "most effective" *nearly three times as often* as either "trying more juveniles as adults" or even "hiring additional police officers."
- A recent survey of mayors found that child care was their number one concern about children and families, whether the city was large or small. It was ranked as one of the three most pressing needs of children and families.[22]
- In 1989, the nation's governors and former President Bush set national education goals. The first goal was having "every child enter school ready to learn" by the year 2000. Access to good quality early childhood programs was considered key to meeting this goal.

March 6, 1997

SOURCE NOTES FOR SECTION - A

[1] Carnegie Corporation of New York, *Years of Promise: A Comprehensive Learning Strategy for America's Children* (New York: Carnegie Corporation, September 1996), p.53.
[2] Testimony by Deborah Phillips before the Senate Committee on Labor and Human Resources, March 1, 1995.
[3] National Center for Education Statistics, *Profile of Preschool Children's Child Care and Early Education Program Participation* (Washington, DC: US Department of Education, 1993), NCES 93-133, p. 7.
[4] Hofferth, *National Child Care Survey, 1990* (Washington, DC: The Urban Institute Press, 1991), p. 105.
[5] Children's Defense Fund calculations of data from Caspar, L. *Who's Minding Our Preschoolers?* Current Population Reports Household Economic Studies, P70-53, (Washington, DC: Census Bureau, U.S. Dept. of Commerce, March 1996).
[6] Hofferth, 1991, p. 33.
[7] US Bureau of Labor Statistics, unpublished data from March 1995, p. 4.
[8] Families and Work Institute, *Women: The New Providers* (New York: Families and Work Institute, May 1995), p.33.
[9] Hofferth, *National Child Care Survey, 1990.*
[10] For example, a study of workers in the New York City garment industry (many of whom are low-income) found that more than half reported missing one or more weeks of work in the past year due to child care problems. And almost a quarter reported missing four or more weeks of work for this reason. New York City Department of Business Services, *A Child Care Study of the New York City Garment Industry* (New York City, 1991).
[11] Carnegie Corporation of New York, *Starting Points: Meeting the Needs of Our Youngest Children,* Executive Summary, (New York: Carnegie Corporation, August 1994), p.4.
[12] Helburn, et al. *Cost, Quality, and Child Outcomes in Child Care Centers: Executive Summary* (Denver: University of Colorado, 1995), p. 4.
[13] Packard Foundation, *The Future of Children: Long-Term Outcomes of Early Childhood Programs,* Vol. 5, No. 3, (Los Altos, CA: Center for the Future of Children, The Davis and Lucile Packard Foundation, Winter 1995), p. 8.
[14] Balasubramaniam and Turnbull, *Exemplary Preschool Programs for At-Risk Children: A Review of the Literature* (Washington, DC: US Department of Education, November 1988).
[15] Schweinhart and Weikart, *Significant Benefits: The High/Scope Perry Preschool Study Through Age 27* (Ypsilanti, MI: High/Scope Educational Research Foundation, 1992).
[16] Carnegie Corporation of New York, 1996, p. 17.
[17] Helburn, et al., 1995, p.2.
[18] Ibid.
[19] Galinsky, et al. *The Study of Children in Family Child Care and Relative Care: Highlights of Findings* (New York City: Families and Work Institute, 1994), p. 4.
[20] Carnegie Corporation of New York, 1996, p. 57.
[21] McDevitt, *Fight Crime: Invest in Kids* (Northeastern University: Center for Criminal Justice Policy Research, 1996).
[22] Meyers and Kyle, *Critical Needs, Critical Choices: A Survey on Children and Families in America's Cities* (Washington, DC: National League of Cities, March 1996).

1) Good Child Care and Early Education Are Important For Children's Health, Safety, and Development

Good quality child care and early education have been proven to help children develop well and keep children safe while their parents work, and can be particularly beneficial to low-income children. However, studies have shown that far too many children are in care that jeopardizes their development and safety.

Studies repeatedly have shown that good quality child care helps children develop well, enter school ready to succeed, improve their skills, and stay safe while their parents work.

- The early childhood years are particularly critical to children's development. A recent Carnegie Corporation study noted that the first three years of life are critical in children's brain development, and that their brain development is far more susceptible to adverse influences than had been realized. In other words, "the quality of young children's environment and social experience has a decisive, long-lasting impact on their well-being and ability to learn."[1]

- A recent study examined a broad range of research on the impact of early childhood programs on children's development, and found that good programs can affect children's long-term success in areas such as school achievement, higher earnings as adults, and decreased involvement with the criminal justice system.[2] A similar survey of the research on the effects of preschool programs, conducted for the U.S. Department of Education, found that preschool education programs for children considered to be "at-risk" of school failure have been effective in six major areas:
  - ⇒ Improved cognitive abilities.
  - ⇒ Improved classroom learning behavior.
  - ⇒ Gains in socio-emotional development.
  - ⇒ Higher family satisfaction and stronger parent-child relationships.
  - ⇒ Greater likelihood of long-term school success.
  - ⇒ Improved likelihood of long-term social and economic self-sufficiency.[3]

- Good early care and education programs help children enter school ready to succeed in a number of ways, and have a particularly strong impact on low-income children who are at greater risk for school failure. For example, a recently released study found children *"in higher quality preschool classrooms display greater receptive language ability and pre-mathematics skills, ...have more advanced social skills than those in lower quality classrooms...,"* and have better relationships with their teachers and more positive self-perceptions. Good care has an even greater impact on the language skills and self-perception of children who are considered to be "at-risk" of school failure.[4]

- Good child care and early childhood programs can reduce criminal and violent behavior. For example, a Packard Foundation report found that early childhood programs combining a focus on early education and family support have produced long-term decreases in antisocial behavior and chronic delinquency.[5] Similarly, programs for school-age children during their out-of-school hours can help children's development and keep them out of trouble. Studies have indicated that school-age children who are left alone after school are at greater risk of truancy, risk-taking behavior, substance abuse, poor grades, and stress.[6]

- Early childhood programs can result in significant cost savings in both the short and long-term. For example, a study of the short-term impact of the Colorado prekindergarten program found that it resulted in cost savings of $4.7 million over just three years in reduced special education costs. And a study of the long-term impact of a good early childhood program for low-income children found that after 27 years, each $1.00 invested saved over $7.00 by increasing the likelihood that children would be literate, employed, and enrolled in postsecondary education, and making them less likely to be school dropouts, dependent on welfare, or arrested for criminal activity or delinquency.[7]

- One study followed two groups of inner city children: the first group was exposed, from early infancy, to good nutrition, toys, and playmates; the second was raised in less stimulating settings. The study showed that these factors had a measurable impact on brain function at twelve years of age. The impact by age fifteen appeared to be even greater, suggesting that over time the benefits of early intervention are cumulative.[8]

However, there is serious cause for alarm, as studies repeatedly have shown that far too many American children are in poor quality care--care that jeopardizes their development, safety, and well-being. Low-income children are particularly at-risk.

- According to the Carnegie Corporation, child care and early education services "have so long been neglected that they now constitute some of the worst services for children in Western society." The care most children are in not only can "threaten their immediate health and safety, but also can compromise their long-term development."[9]

- Kindergarten teachers estimate that one in three children enters the classroom unprepared to meet the challenges of kindergarten.[10]

- A recently released national study found that *"Child care at most centers in the United States is poor to mediocre, with almost half of the infants and toddlers in rooms having less than minimal quality."* It found that one in eight centers (12 percent) provided less than minimal quality care, with the proportion rising to fully 40 percent for rooms serving infants and toddlers, who are clearly the most vulnerable. Only one in seven (14 percent) received a rating of good quality care for children overall, with even fewer programs (8 percent) providing good quality care for infants and toddlers. In less than minimal quality rooms, babies:
    - ⇒ Are vulnerable to more illness because basic sanitary conditions are not met for diapering and feeding.

⇒ Are endangered because of safety problems that exist in the room.
⇒ Miss warm, supportive relationships with adults.
⇒ Lose out on learning because they lack the books and toys required for physical and intellectual growth.[11]

- Another national study found equally alarming patterns in family child care programs, which many parents use to care for their younger and more vulnerable children. This study found that *over one-third* of the programs were rated as inadequate, which means that their quality was low enough to actually harm children's development. Furthermore, the study found that low-income and minority children were more likely to be in lower quality programs than other children. Only 9 percent of the homes in the study were rated as good quality, which was defined as enhancing the growth and development of children.[12]

- Poor quality care has been shown to have a serious impact on children's development. Children in poor quality care have been found to:
  ⇒ Spend substantial amounts of unoccupied time tuned out and unengaged in social interactions.
  ⇒ Be delayed in their cognitive and language development, pre-reading skills, and other age-appropriate behaviors.
  ⇒ Be insecurely attached to their caregivers.
  ⇒ Display more aggression towards other children and adults.[13]

2) Strong Policies can Protect Children and Promote Their Development

The poor quality of care that American children experience is particularly disturbing because we know what kind of care helps children, and we know how to improve the quality of care. Ensuring the healthy development and safety of children by providing good quality care is an achievable goal. The research is clear about the path to developing quality child care services for children--it includes improving staff training, requiring basic health and safety protections, monitoring programs, informing parents, ensuring access to good quality care, and improving staff salaries.

Parents and experts agree on a number of key components of good quality care. Some of the key components for good quality care include:

- Protecting children's basic health and safety.
- Having teachers who are nurturing and knowledgeable about children's development, and who are a stable presence in children's lives.
- Having small numbers of children per teacher to make sure each child gets one-on-one attention.
- Supporting parents by involving them in their children's learning.

The staff who care for children on a daily basis play a critical role in children's development and experiences. Their knowledge and abilities can be improved by ensuring that they understand basic child development issues.

- Staff education and training have been demonstrated to be among the most critical elements in improving children's experiences and development in child care. Yet in 1996, 41 states did not require family child care providers to have *any* training prior to serving children.[14]
- Improving training has been found to have an impact on children's development and child care quality. A recent study, for example, found that a training project for family child care providers resulted in improved experiences for children, significant improvement in the quality of care provided, and improved job commitment among providers.[15]

To be safe in child care, it is essential that programs meet basic health and safety protections that protect children from harm. State licensing requirements play a critical role in ensuring children's safety.

- Basic health and safety protections--such as requiring that children in child care have up-to-date immunizations, that poisonous substances are out of the reach of children, that soft

surfaces are below climbing equipment, and that outlet plugs cover electrical outlets--can minimize accidents, reduce the incidence of illness, and save lives.

- State regulation and monitoring of child care quality have been shown to improve the quality of care. One recent study found that states with stronger licensing standards had fewer poor-quality child care centers.[16] Another recent study found that family child care homes that were regulated provided better quality care than those that were not regulated--for example, only 13 percent of the regulated family-based providers provided care that was classified as "inadequate," in contrast to 50 percent for unregulated family-based care.[17]

- Many states are not adequately protecting children in child care, as their health and safety requirements do not meet levels recommended by experts. For example, a CDF study of state licensing policy in 1993 found that five states still do *not* require children in family child care to be fully immunized, 31 states allow child care centers to have more than five two-year-olds per staff member (though child development experts recommend no more than five), and 25 states did not require family child care providers to have all staff trained in basic first aid, as is recommended by the American Academy of Pediatrics.[18]

- In 1993, one out of every five states still allowed family child care homes serving five or fewer children to be exempt from *all* health and safety protections, from any screening of the provider's background or qualifications, and from other critical protections.[19] Some states allowed homes serving as many as eight (Virginia) or twelve (South Dakota and Idaho) children to be exempt from any requirements. Given that family child care is particularly popular with parents of very young children, and that the majority of children in family child care are thought to be in homes serving relatively small numbers of children, many of our most vulnerable children are in settings that are exempt from even minimal protections.

- While it is not clear how many *unregulated* family child care programs there are, a 1990 study estimated that there were between 550,000 and 1.1 million unlicensed providers. Based on this estimate, only between 10-18 percent of the family child care providers in the country were regulated at that time.[20]

Research has shown that periodic monitoring, or visiting, of licensed programs can protect children from harm.

- While parents must be the first line of defense in monitoring their children's care, it is essential that government play a supportive role as well. Studies have found, for example, that parents need help monitoring and evaluating the quality of care their children are receiving, as some issues are difficult for them to observe.[21] For example, most parents are only able to see the program operating when they drop off and pick up their children.

- Having licensing staff periodically visit child care programs can improve quality by identifying poor quality programs, helping them improve their services, and acting quickly to protect children when dangerous situations are found. In fact, state licensing officials rated such visits the most effective way to ensure compliance with state licensing requirements.[22]

Yet, due to inadequate state investments in child care licensing staff, many states find it very difficult to monitor regulated child care programs well.

- A U.S. General Accounting Office (GAO) study found that 20 states did not even conduct one unannounced visit per year to child care programs (as is the minimum standard recommended by child care experts), and a study by the Inspector General of the federal Department of Health and Human Services (HHS) found that average caseloads for licensing inspectors were twice recommended levels.[23]
- A CDF study found that, in 1993, only nine states required family child care homes to be inspected once a year. Most states visited homes very infrequently.[24]

Good state child care subsidy policies play important roles in helping low-income families have access to good quality care.

- Reasonable state payment rates for subsidized care are critical in ensuring access to decent child care. Inadequate rates effectively reduce the child care options available to low-income parents and limit their ability to choose child care that meets their needs and those of their children. For example, a 1986 study by the Washington Department of Social and Health Services (DSHS) found that many providers refused to accept DSHS-subsidized children, and that 60 percent of those who accepted such children limited the number they would serve--typically because the reimbursement rates were too low.[25]
- State policies that affect how much parents contribute to the cost of child care in subsidy programs also are critical to ensuring access. States that make it cheaper for parents to choose poor quality care make it difficult for parents with very low incomes to choose good quality without suffering financially.

Parents can better protect their children and ensure their safety and development if they are able to make informed choices. Resource and Referral (R&R) agencies play a critical role in helping parents understand their options and make good choices.

- Many parents need assistance in finding child care. Resource and Referral (R&R) agencies are important partners with parents, helping them identify local child care opportunities and learn what to look for in child care. In addition, R&R agencies have played a critical role in improving the quality of care by helping to train child care providers and providing other critical supports to providers and parents. For example, in 1994:
  - ⇒ Nearly 1.5 million families received referrals or consultations with R&R agencies, with additional families receiving assistance through parent workshops or consumer education materials.
  - ⇒ R&R agencies provided training for more than 339,000 child care providers (up from 58,000 in 1992), and recruited almost 20,000 new providers to add to the supply of child care.[26]
- Thirty-nine states have implemented statewide R&R services to help families with young children of all income levels locate appropriate early childhood services for their children.[27]

Resource and referral services maintain up-to-date information about licensed and registered child care programs, including vacancies, ages of children served, hours, fees, and types of educational programs.

Low salaries are a critical cause of low quality in child care, because they fuel high turnover rates which make it difficult for children to form meaningful, trusting relationships with their caregivers.

- Annual turnover rates among child care staff were 26 percent between 1991 and 1992, close to three times the annual rate of less than 10 percent reported by all U.S. companies, and more than four times the rate of six percent reported by public school teachers.[28]
- A study found that the average hourly wage for child care teaching staff in 1988 was $5.35 per hour or an annual income of $9,363 for full-time work. This was below the poverty level of $9,431 for a family of three in that year.[29]
- Real wages for the lowest paid teaching assistants, the fastest growing segment of the child care work force in centers, actually declined 1.5 percent between 1988 and 1992 to $5.08 per hour, or $8,890 per year. At the same time, real wages for the highest paid teaching staff in centers, who constitute a very small segment of the work force, increased by only 66 cents per hour.[30]
- Wisconsin child care work force found that licensed family child care providers had an average net income of just $8,344 annually. Certified providers, subject to less training and fewer requirements, earned $5,132 after expenses.[31]
- The 1989 survey of licensed child day care providers in Pennsylvania conducted by the University of Pittsburgh showed that nearly 60 percent had difficulty hiring staff, primarily because of low salaries. By contrast, only 4 percent of public schools, which pay significantly more, report difficulty hiring staff.[32] A 1992 study of child care turnover in Pennsylvania found continued problems--with turnover rates approaching 33 percent in licensed programs in 1991-92.[33]

March 7, 1997

SOURCE NOTES FOR SECTION - B

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[2] Packard Foundation, *The Future of Children: Long-Term Outcomes of Early Childhood Programs,* Vol. 5, No. 3, (Los Altos, CA: Center for the Future of Children, The Davis and Lucile Packard Foundation, Winter 1995), p. 8.
[3] Balasubramaniam and Turnbull. *Exemplary Preschool Programs for At-Risk Children: A Review of the Literature* (Washington, DC: U.S. Department of Education, November 1988).
[4] Helburn, et al. *Cost, Quality, and Child Outcomes Study: Executive Summary* (Denver, CO: University of Colorado, 1995), p.4.
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[20] National Association for the Education of Young Children, *The Demand and Supply of Child Care in 1990, Joint Findings from the National Child Care Survey, 1990 and the Profile of Child Care Settings* (Washington, DC: NAEYC, 1991).
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[22] U.S. General Accounting Office, *Child Care: States Face Difficulties Enforcing Standards and Promoting Quality* (Washington, DC: General Accounting Office, 1992).
[23] Ibid. Also see: Inspector General of the U.S. Department of Health and Human Services, *Enforcing Child Care Regulations*, Washington, DC, 1990.
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[27] Benso, Testimony before the Pennsylvania House Aging and Youth Committee (Harrisburg, PA: Pennsylvania Association of Child Care Agencies, August 1995), p.3.
[28] Whitebook, et al. *National Child Care Staffing Study Revisited: Four Years in the Life of Center-Based Child Care* (Oakland, CA: The Child Care Employee Project, 1992).
[29] Whitebook, et al. *Who Cares? Child Care Teachers and the Quality of Care in America--The National Child Care Staffing Study, Executive Summary* (Oakland, CA: Child Care Employee Project, 1989), p. 10.
[30] Whitebook et al., 1992.

[31] National Center for the Early Childhood Workforce & Wisconsin Early Childhood Association, *Valuable Work, Minimal Rewards... A Report on the Wisconsin Child Care Workforce* (Madison, WI: 1994).

[32] McCall et al., *The State of Early Childhood Services in Pennsylvania: A Report to the State Board of Education of the Commonwealth of Pennsylvania* (Pittsburgh, PA: University of Pittsburgh, Office of Child Development, December 1989), pp.6-7.

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1) CHILD CARE IS ESSENTIAL FOR SUCCESSFUL WELFARE REFORM AND FOR A STRONG WORKFORCE

Child care is essential for parents to be able to work. Without affordable child care to keep their children safe, many parents are forced to make an untenable choice between being on welfare, or working and leaving their children home alone, with older siblings who are too young to care for them, or in other unsafe settings.

Child care assistance helps low-income families work, and is a cost-effective investment.

- GAO found that increasing the availability of child care subsidies would increase poor mothers' work participation rates from 29 percent to 44 percent, and near-poor mothers' rates from 43 percent to 57 percent.[1]
- A study in Kentucky in 1992 found that child care subsidies increased the likelihood of employment by 12 percent, independent of such factors as the availability of jobs.[2]
- A recent North Carolina study of the economic impact of providing child care subsidies estimated that when a child care subsidy allows a parent to work at a job earning $20,000 annually, the federal, state, and local governments can expect to earn $3,492 above the cost of the subsidy in tax revenue from the family's income and expenditures.[3]

Child care problems are a major barrier that keep low-income families on welfare and out of the workforce. As such, child care assistance is key to any effort to reform welfare and to move families from welfare to work.

- When working parents are comfortable with their child care arrangements, they are more productive on the job. When care is inadequate, parental stress mounts and work performance suffers. Poor quality child care arrangements are more likely to fall apart, causing parents to miss work. [4]
- One out of four (1.1 million) mothers in the 21 to 29 age group who were out of the labor force in 1986 said that they were not working because of child care problems. These problems were an even bigger barrier for poor mothers, 34 percent of whom were out of the labor force because of child care problems.[5]
- Numerous studies have found that child care problems keep families on welfare from being able to work, attend school, or get training. For example:
  - ⇒ A 1991 study of single parents receiving welfare in Illinois found that child care problems kept 42 percent of recipients from working full-time, 39 percent of recipients from looking for work as much as desired, 26 percent of recipients from working as much as desired, and 39 percent of recipients from going to school.[6]

⇒ A 1987 GAO study of participants in 61 welfare-to-work programs in 38 states found that 60 percent of respondents reported that a lack of child care was a barrier to participation in the labor force.[7]

⇒ A 1993 study of out-of-school teen parents receiving welfare in Ohio found that when these teens were asked why they were not enrolled in school, "I can't find adequate child care" was the most frequently mentioned reason. The majority of the teens also reported that child care is critical to their ability to stay in school.[8]

- The *quality* of child care can make a difference in parent's ability to work. Evaluations of GAIN (the job-training program for welfare recipients in California) found that mothers on welfare who were worried about the safety of their children and who did not trust their providers were twice as likely to subsequently drop out of the job-training program.[9]

Low-income families who leave welfare often stay in very low-wage jobs for a long time. Therefore, it is not surprising that many families return to welfare because of problems with child care.

- Low-income workers do not often receive large wage increases or "earn" their way out of being eligible for child care. A follow-up study of families in Illinois who had received Transitional Child Care assistance and were currently receiving At-Risk child care funds, found most families' incomes remained fairly flat after two years.[10]

- Several studies around the country have found that child care difficulties have forced families onto welfare:

  ⇒ A 1994 survey of welfare recipients in Maine found that 31 percent of those who had left a previous job did so because of child care difficulties.[11]

  ⇒ A 1991 study of welfare recipients in Illinois found that 20 percent of the women who returned to welfare within the year of the report had returned due to child care problems. Also, 42 percent who had quit school had quit due to child care problems.[12]

  ⇒ A 1987 study of the welfare, employment, and training program in Massachusetts found that one-third of the mothers who had left welfare to work dropped out of the labor force after one year due to child care problems.[13]

  ⇒ In Milwaukee County, Wisconsin, approximately one-fourth of all families that exhausted their Transitional Child Care (TCC) benefits returned to welfare between October 1992 and November 1993. During that same period, the county was not able to provide continued child care assistance to these families. The county believes that the unavailability of child care assistance was the major reason for the families' return to welfare.[14]

- Many low-income families need child care during non-traditional hours, and such care is likely to be particularly important for families working to get off welfare. Unfortunately, such care is in short supply:
  - ⇒ Many mothers receiving AFDC or TANF benefits will find employment that involves evening and weekend work. Nearly one in five full-time workers--14.3 million--worked nonstandard hours in 1991. More than one in three--five million of them--were women.[15]
  - ⇒ One-third of working-poor mothers with incomes below poverty and more than one-fourth of working-class mothers (incomes above the poverty line but below $25,000) worked weekends.[16]
  - ⇒ A study of 207 Illinois families receiving transitional child care subsidies after leaving welfare due to employment, found that nearly 75% were working irregular hours.[17]
  - ⇒ The stability of the schedule may present a problem for families needing child care. Almost half of low-income working parents worked on a rotating or changing schedule, compared with one-quarter of working- and middle-class mothers and one-third of working- and middle-class fathers. This presents a greater obstacle to finding child care than either a regular weekend or evening schedule.[18]

Low-income working families that need child care assistance and can't get it find it more difficult to work, have to place their children in less safe situations, and get into financial difficulties.

- A Washington State administrator reports that her survey of families on waiting lists for child care assistance shows that they have more difficulties with child care, are working fewer hours, and are three times more likely to use illegal child care compared with similar families that are receiving subsidies.[19]
- A study of low-income working families on the waiting list for child care in Minnesota found a broad range of problems. Most families that were working and paying for child care experienced significant levels of debt or bankruptcy. One-fourth of all the families interviewed had to go on welfare to survive. Some found it difficult to maintain employment because of unstable child care arrangements. One-third of the parents felt their children's child care settings threatened their safety and development, and many families were experiencing severe stress.[20]

2) Low-Income Working Parents Cannot Afford Child Care Without Financial Assistance

Increasing numbers of working families are poor. These families simply cannot afford the full cost of good child care in addition to all of the other demands that are on their budget. Good child care is a labor-intensive service that can easily cost $4,000 to $8,000 a year for one child--costs that are clearly out of the reach of low-income families. Child care subsidies that help parents defray some of the costs of child care can help parents work and keep children safe.

Increasing numbers of families fall below the poverty line even though they are working to support their children. This means that low-income *working* families are a major group that needs help paying for child care.

- The number of children in low-income working families has jumped nearly 30%. Today more than a third of all America's poor children belong to families where at least one parent works all year.[21]
- A recent report by the National Center for Children in Poverty found that young children in a traditional nuclear family (two-parent family with one parent working full-time) were 2 and 1/2 times as likely to be poor in 1994 than they were in 1975. The poverty rate for young children in such traditional nuclear families rose from 6 to 15 percent between 1975 to 1994).[22]
- Half of the young families with children (with family head younger than 30) earned less than $20,000 in 1994.[23] The cost of decent child care is beyond the reach of these families unless they get help.

Child care can *easily* cost over $4,000 a year, and can be much higher for younger children and in some regions of the country. This is a significant part of a working family's budget, and can keep families from being able to afford to work.

- In 1990, mothers who were employed full time and paid for child care for a child younger than five paid on average about $3,650 for their youngest child in center-based care, $2,950 for family child care, and $5,025 for in-home care. This was only the amount they paid for their *youngest* child--families with more than one child in child care paid more.[24]
- Obviously, low-income parents would have difficulty affording even average-priced care for one child--at the rates reported above, a single mother working full time and earning the minimum wage would have to pay 41 percent of her income to put her child in a center. Given the other costs of raising a family such as rent, food, transportation, and clothes, it is clearly impossible for low-income parents to afford good care without help.[25]
- The high priority that low-income families place on keeping their children safe is reflected by the fact that they are stretching their limited budgets to the maximum to pay for child care.

In 1993, families earning less than the federal poverty level ($11,140 for a family of three) that paid for child care spent more than a quarter (27 percent) of their meager gross incomes for care, according to the Census Bureau. Non-poor families spent only 7 percent.[26] (Even though low-income families pay less in actual dollars for child care, the relative cost to these families is significantly greater than to affluent families.)

- While child care costs vary significantly across the country, they are beyond the reach of low- and moderate-income families even in the least expensive communities. A 1995 study of child care prices in six cities found that the *average* cost of care for a two-year-old in a child care center ranged from $3,100 a year in Birmingham, AL, to over $7,000 in Boulder CO. Similarly, the *average* annual cost of care in a center for an infant (one-year-old) ranged from about $3,300 in Birmingham to almost $8,100 in Boulder.[27] [Also see table below.]
- For a minimum wage worker, the family's child care costs at the *average* price of care for an infant in a child care center would be at least 50 percent of family income in five of the six cities examined. Even paying the *lowest* cost was out of the reach of many low-income working families--a full-time minimum wage worker paying the standard price at the *lowest*-priced center for infant care would spend from 38 to 81 percent of their earnings on care in four of the six cities examined.[28]
- Another study of 12 states found that child care for infants is especially expensive. In nine of the 12 states examined, infant care can take 60% or more of a parent's paycheck if she or he is working at a minimum wage.[29]
- In a 1991 Illinois survey of families on welfare, child care fees were the most frequently cited obstacle to obtaining child care. More than 80% reported problems stemming from the high cost of care.[30]

Annual Child Care Fees Across the Nation for Children of Selected Ages

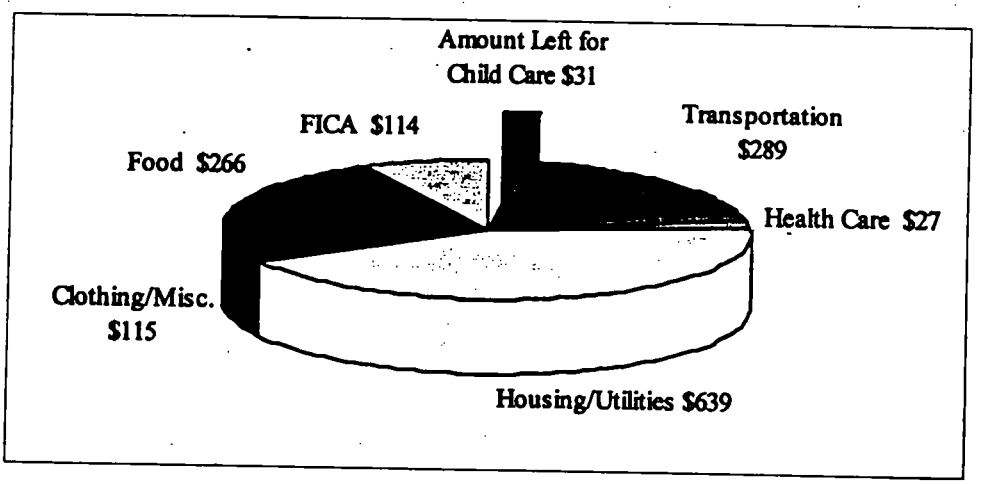
	Infants (One-Year-Old)	Three-Year-Old	Six-Year-Old
Boston, MA	$11,860	$ 8,840	$ 6,660
Durham, NC	$ 5,150	$ 4,630	$ 2,810
Orlando, FL	$ 4,320	$ 3,800	$ 1,980
Minneapolis, MN	$ 8,370	$ 6,030	$ 3,740
Dallas, TX	$ 4,630	$ 4,210	$ 2,650
Boulder, CO	$ 8,580	$ 6,240	$ 3,430
Oakland, CA	$ 7,540	$ 6,500	$ 3,640

Average annual fees charged by licensed child care centers by age group as of May 1, 1996 (full day care for infants and three-year-olds, school-age care afternoons only for six-year-olds). Source: *Child Care Information Exchange*, July 1996. Data collected from Resource and Referral agencies in each city.

- Parents who are lucky enough to have relatives who are nearby and physically able and willing to care for their children while they work also have costs. A 1990 study found that one out of three employed mothers relying on relatives as a primary care arrangement paid their relatives to care for their children.[31]

Given the low wages of many low-income families, it is not surprising that many families find that working is too costly. Between housing, food, transportation, child care, and medical expenses, many families simply do not earn enough to make work pay.

Monthly Budget for a Single Parent with Two Children
Typical Parent in Hennepin County, MN 1995



Assuming monthly budget of $1,521 (including food stamps and Earned Income Tax Credit) for working single parent with children ages 4 and 7.

Source: Greater Minneapolis Day Care Association, *Valuing Families: The High Cost of Waiting for Child Care Sliding Fee Assistance*, Minneapolis, MN, 1995; pg. 5. Original calculations from Children's Defense Fund-Minnesota of data from U.S. Census Bureau, *Who's Minding the Kids: Child Care Arrangements, 1991*, Series P70-36, 1994.

Notes/Assumptions:

1) **Average income:** This is based on the average monthly income of a family on the waiting list for child care assistance in Hennepin County, MN, including $193/mo for food stamps, and $70/mo for tax credits minus state and federal taxes due.
2) **Transportation:** Cost of running three-year-old car 12,000 miles/yr; from MN Dept. of Transportation, 1993.
3) **Health Care:** This is substantially lower than for families in other states, as it assumes the family is on Minnesota Care. It would be higher for families who have employer coverage and must pay share of the cost, 1993.
4) **Food:** From MN Department of Human Services Market Basket Evaluation of AFDC Standard of Need, 1991.
5) **FICA:** Social Security, presumes no income tax withholding.
6) **Housing/Utilities:** Two-bedroom apartment with utilities and phone; from U.S. Department of Housing and Urban Development and U.S. West, 1993.

March 7, 1997

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THE SUPPLY OF CHILD CARE AND EARLY EDUCATION IS INADEQUATE

Child care and early education is in short supply across the country. There is an inadequate supply of certain types of care, including care for infants and school-age children, care in certain neighborhoods and counties, and "odd-hour" care for families who don't work from 9 to 5. All of these problems are particularly evident for low-income families, who are most likely to face these shortages.

Nationwide, there are hundreds of thousands of child care programs serving children.

- In 1996, there were an estimated 391,000 identified child care programs in the United States. These included almost 93,000 licensed child care centers, 271,000 regulated family child care homes, and 28,000 regulated large and group child care homes.[1] *[Table 2 has the number of programs in each state.]*
- While it is not clear how many unregulated programs there are, a 1990 study estimated that there were between 550,000 and 1.1 million unlicensed providers. Based on this estimate, only between 10-18 percent of the family child care providers in the country were regulated at that time.[2]

Nonetheless, parents and experts report that child care is in short supply--particularly for some age groups and for some particular types of care--and that some communities have little or no licensed care.

- Many studies have reported shortages of center-based infant and toddler care:
  - ⇒ A 1990 study surveyed centers and found that "vacancies for infants and toddlers are especially limited; fewer than 10 percent of all vacancies could be filled by infants and toddlers."[3]
  - ⇒ A recent study of child care in California found similar patterns--only four percent of slots in licensed child care centers were for infants younger than age two.[4]
  - ⇒ A study of child care needs in six cities found serious shortages of infant care. In four sites (Bath, Boulder, Chicago, and San Francisco), CCR&R staff reported that demand for child care for infants exceeded the supply of care.[5] Some CCR&Rs recommended that parents put their name on waiting lists for infant care as soon as they knew they were pregnant. In both Boulder and San Francisco, staff reported that, because they were been unable to help young mothers find care for their infant, women had lost their jobs and returned to welfare.[6]
- Three out of four parents of young children participating in a national poll in 1989 said that there was an insufficient supply of child care for infants in their communities. Two of every five parents said there were not enough programs for preschoolers, and one in three parents said they needed more programs for elementary school children.[7]
- In a 1995 GAO study, Michigan officials reported that their state had a shortage of infant and special needs child care in the inner cities and shortage of all types of child care in rural areas. A suburban county child care specialist said the supply of child care providers could

not handle the 3,000 new parents in the county who were required to participate in the state's welfare reform program.[8]

- A study of child care needs in six cities found that child care Resource and Referral (R&R) staff reported shortages of school-age child care in four out of the six sites (Bath, Birmingham, Chicago, and San Francisco).[9] In general, across the sites, R&R's reported that there are not enough providers who will take children for part-time care to meet the demand for such care.[10]

As more families are working shifts, or during non-standard work hours, there is an increasing need for child care during odd hours. Yet the supply of such care is minimal, forcing many families to make difficult choices.

- Mothers working to get off AFDC or TANF who are able to find work are likely to face jobs that require evening and weekend hours. Nearly one in five full-time workers (14.3 million) worked nonstandard hours in 1991. More than one in three (five million) of them were women.[11] One-third of working-poor mothers with incomes below poverty and more than one-fourth of working-class mothers (those with incomes above the poverty line but below $25,000 a year) worked weekends.[12]

- The demand for non-traditional hours outstrips the supply across the sites. In Chicago, for example, CCR&R staff estimate that about 30 percent of the requests that they receive are for evening or weekend care. Based on a survey of providers, they found that only 8 percent of providers will consider evening care and only 3 percent weekend care.[13]

- The instability of parents' work schedules also presents a challenge for families trying to find child care. One study found that almost half of low-income working parents worked on a rotating or changing schedule, compared with one-quarter of working-and middle-class mothers and one-third of working-and middle-class fathers. This presents a greater obstacle to finding child care than either a regular weekend or evening schedule. [14]

Low-income families face particular difficulties finding care. Numerous studies have found serious shortages of care in low-income communities, which often do not have an economic base to support adequate child care.

- According to the U.S. Department of Education, public schools in low-income communities were far less likely to offer prekindergarten programs (16 percent) than were schools in more affluent areas (almost one-third).[15]

- Schools in low-income areas are much less likely to offer the extended day and enriched programs that can help keep children safe after school, and help them stay out of trouble. In 1993, only one-third of the schools in low-income neighborhoods offered such programs, compared with 52 percent of the schools in more affluent areas.[16]

- A national study found that more affluent counties had two to three times the supply of preschool programs per capita, meaning that low-income families have far less access to the preschool programs that enable parents to work and children to get the early learning experiences that allow them to enter school ready to succeed.[17]

- The supply of child care is lower in communities where there are more families on welfare and families headed by single parents. This suggests that the effectiveness of efforts to reform welfare may depend, in part, on whether funds are allocated to expand the supply of child care in communities where low-income families live.[18]
- Recent studies have found that there are significant geographical areas where no licensed programs exist for families to choose:
  - ⇒ One recent study found that nine of 55 counties in West Virginia had no licensed child care centers, and another 14 only had one center.[19]
  - ⇒ A study of families receiving welfare in Illinois found that licensed care was simply not available in some relatively large areas in the state. Furthermore, they found that in some areas where care *was* available, the demand greatly exceeded the available supply. This was most common in the poorest areas of the state.[20]

Transportation can be a major obstacle for low-income families trying to work and get their children to care.

- The inadequate supply of care is compounded even further by the fact that many low-income families lack a private means of transportation or the funds necessary to use public transportation. The Illinois study found that about half of the families interviewed reported that transportation had been a problem for them, and it was frequently cited as a factor in parents' ability to choose care. Transportation problems also were frequently cited as a factor in parents' inability to work.[21]
- A study of child care needs in six cities found that accessibility of child care was also cited as a problem in four of the sites (Birmingham, Boulder, Dallas, and Chicago), particularly for low-income families.[22] For example, interviews with child care Resource and Referral agencies (CCR&R) found:
  - ⇒ CCR&R staff in Dallas noted that their community was very spread out, with travel time between home, care, and work often adding up to more than an hour each way.
  - ⇒ In Boulder, the greatest supply of family child care homes was in outlying areas (where housing costs were cheaper). These providers did not tend to be located close to either training or employment, and could be difficult to get to using public transportation. For families without cars or in areas with limited public transportation, CCR&R staff reported that accessibility to child care could be a significant barrier to the parent's employment.
  - ⇒ In Chicago, it was noted that there were few family child care homes in poor neighborhoods because the housing stock was of such poor quality that homes would not be able to obtain licensing.

Public investments in improving supply can make a difference in helping families have access to the child care they need.

- The federal Child Care and Development Block Grant has funds dedicated to improving quality and expanding supply. As of 1993, 22 states used CCDBG funds to expand the supply or improve the quality of infant care, almost all states (46) used funds to expand the

supply or quality of care for school-age children, and 19 states used funds to expand the supply of child care for teenage parents.[23]

- The Massachusetts Industrial Finance Agency (MIFA), a quasi-public corporation created in 1978, provides a number of financing vehicles for small businesses, manufacturers and non-profits as a way to encourage business development. In 1986, MIFA established a revolving Child Care Facilities Loan Fund to provide low-interest loans of up to $250,000 to child care providers and businesses for the acquisition, construction, renovation or purchase of equipment for child care facilities sponsored by corporations.[24]
- Maryland has created a Family Day Care Provider Direct Grant Fund to reimburse providers up to $500 for funds expended to meet state or local regulations. The grant is contingent on agreeing to provide care for at least one year for categories of children for whom appropriate programs are in short supply, i.e., infants, special needs children, school age children or subsidized children. Maryland also has a loan fund providing $1,000 to $5,000 to help child care centers meet licensing requirements. [25]

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PARTNERS IN SUPPORTING CHILD CARE AND EARLY EDUCATION: THE ROLE OF FEDERAL, STATE, AND LOCAL GOVERNMENT, AND PRIVATE AND PUBLIC ORGANIZATIONS

In the United States, child care and early education are a partnership between the public sector (federal, state, and local governments), the private sector (both businesses and charitable organizations), and parents. Both the public and private sector play a critical role in helping families work and children get a strong start in life by supporting child care and early education.

FEDERAL ROLE

A Brief History of Recent Federal Action in Child Care and Early Education

Other than some involvement in providing child care to women working during the Second World War, the federal government had little role in child care and early education until the 1960's when the Head Start program was started. The federal role in providing child care to help low-income parents work expanded significantly in the late 1980's.

In 1965

The federal government launched the federal **Head Start** program to help low-income children get a strong start before they entered school. The program has expanded over the subsequent years, though it still only serves about one-third of the eligible children.

During the 1970's and 1980's

The federal government began offering several types of limited assistance to help cover some of the costs of child care for parents:

- **Social Services Block Grant/Title XX:** During the 1970's states were required to spend a portion of federal Title XX funds on child care. This program was turned into the Social Services Block Grant (SSBG) in 1981, and states were allowed to choose whether to use any SSBG funds to provide child care subsidies to families. Since 1981, states have varied widely in the extent to which they used these funds to help families with their child care expenses.
- **Child Care Disregard:** States could allow working families on welfare to disregard some of their child care expenses before calculating their cash assistance levels.
- **Child and Adult Care Food Program (CACFP):** Since the 1970's, the federal government has offered financial assistance to child care programs to enable them to offer nutritious meals and snacks to children through the CACFP.

- **Dependent Care Tax Credit:** Since 1976, all families have been entitled to a tax credit for a portion of their child care expenses. The credit is not refundable, however, meaning it cannot be used by families whose income is low enough that they don't pay taxes.

In 1988

Congress passed the **Family Support Act (FSA),** which recognized that child care assistance was an essential component of any welfare reform agenda. This led to the first child care guarantee, for families on AFDC that were working or enrolled in job training or education programs (sometimes called **JOBS child care**), and for families leaving AFDC that needed transitional child care assistance for 12 months after leaving welfare (called **Transitional Child Care or TCC**).

In 1990

In response to widespread public recognition that additional child care assistance was essential to help low-income working families become and remain independent, Congress created (and President Bush supported) two new programs--the **Child Care and Development Block Grant (CCDBG)** and the **At-Risk Child Care Program.** These programs provided subsidies to low-income working families. The CCDBG also recognized, for the first time, the importance of a public role in improving the quality and supply of child care by including funds specifically dedicated to this purpose. [By 1994, the federal government was helping to pay for the care of 1.4 million low-income children. These subsidies helped low-income parents who needed child care assistance to be able to work and be (or become) self-sufficient. These subsidies were provided largely through "vouchers" given to parents to help them defray some or all of the costs of purchasing care in the private market.[1]]

In 1993

In 1993, Congress passed and President Clinton signed the **Family and Medical Leave Act** (FMLA). The FMLA requires employers to allow employees to take up to 12 weeks of unpaid leave each year for caring for a newborn or newly adopted child, to care for family members with serious health conditions, or to recover from health problems. This law applies to private employers who have more than 50 employees, the federal government, and state and local governments.[2]

In 1996

In the summer of 1996, Congress passed and President Clinton signed the **Personal Responsibility and Work Opportunity Reconciliation Act of 1996.** This Act, hereafter referred to as the welfare Act, had a number of provisions. In addition to eliminating the nation's guarantee of cash assistance to low-income families (by eliminating the national welfare program Aid to Families with Dependent Children) and replacing it with a new limited program called Temporary Assistance for Needy Families, the act also made major changes to federal child care

programs. It **eliminated several of the existing federal child care subsidy programs** (specifically JOBS child care, Transitional Child Care, and the At-Risk Grants to States), and wrapped them into the existing Child Care and Development Block Grant--thereby **creating a new program that is also called the Child Care and Development Block Grant** or Child Care and Development Fund (described below).

Major Federal Child Care and Early Education Programs as of 1997

Child Care and Development Block Grant (CCDBG)

Passed in 1996, the new CCDBG replaced the four existing federal child care programs (JOBS child care, Transitional Child Care, At-Risk Child Care, and the old Child Care and Development Block Grant). The new CCDBG provides money to the states to fund child care subsidies for low-income working families. States can use these funds to provide subsidies to families who need child care in order to get off of welfare or to stay off welfare. They can also use these funds to provide child care assistance to families needing child care as a protective service for children at risk of abuse or neglect. States are likely to use a significant portion of these funds to provide child care assistance to families who are trying to get off welfare, though the Congressional Budget Office estimates that federal funding levels will be inadequate by $1.4 billion over six years to meet the child care needs of families who need child care assistance to get off welfare.

While the vast majority of CCDBG funds are likely to be used to provide subsidies to low-income parents, the CCDBG requires that states spend at least 4 percent of total funds to address the critical problems of poor child care quality and inadequate supply. In addition, $19 million was set-aside in FY 1997 for school-age child care and Resource and Referral (R&R) activities. Under the CCDBG, states must set basic health and safety standards for providers (except certain relatives) receiving these federal funds. These standards can help ensure that children receiving public funds are not placed in unsafe child care settings.

Some CCDBG funds are available to states without having to be matched, while others require state matching funds. It is not clear whether states will put up all of the matching funds necessary to draw down the federal funds. *[State-by-state allocations are shown in Table 8, in the final part of the report.]*

Total federal funds available in FY 97: $2.87 billion*

**assuming states put up necessary matching funds*

Head Start

The federal Head Start program began in 1965 as a comprehensive child development program to support children and families. Since that time, it has provided more than 15 million children (and their families) with a comprehensive package of education, health, social services, nutrition, parent involvement, and services for children with special needs. The program is targeted to children whose families are below the poverty line ($13,000 a year for a family of

three in 1996) and who are not yet enrolled in school. The majority of children served are four--in FY 1995, 61 percent were four years old and 28 percent were age three. The federal government funds local grantees (about 1,400 in 1995) directly to serve children and families. In FY 1996, the program served about 752,000 children.

Federal funds (local programs required to contribute 20% in in-kind donations):

FY 1997--$3.98 billion
FY 1996--$3.6 billion
FY 1995--$3.5 billion
FY 1994--$3.3 billion

Social Services Block Grant (SSBG, previously known as Title XX)

The SSBG provides funds to states for a wide range of social services. In 1994, the majority of states allocated at least *some* of these funds to child care subsidies, although some use all the money for other purposes. While there are no reliable data, some experts estimate that about $500 million of the SSBG--less than one-fifth of the funds--is used for child care nationally.[3] SSBG funding levels have remained stagnant since it was turned into a block grant in the early 1980s. The SSBG was cut by 15 percent in the 1996 welfare Act.

Federal funds (no state match)--

FY 1997--$2.5 billion*
FY 1996--$2.8 billion*
FY 1995--$2.8 billion*
FY 1994--$2.8 billion*

**Not known how much of this is spent on child care.*

USDA Child and Adult Care Food Program (CACFP)

CACFP is an entitlement program guaranteeing nutritious meals for children up to age 12 enrolled in child care centers, family child care homes, before- and after-school programs, and Head Start centers. In FY 1996, more than 2.5 million children were fed through CACFP. By providing free or reduced-price food through child care programs, CACFP ensures that children are well-fed, able to concentrate, and ready to succeed in school. The CACFP also provides nutrition training and support to child care providers and is a critical link in improving the quality of child care settings. The CACFP plays a particularly strong role for family child care homes by providing a major incentive for providers to become licensed or regulated. As described in the section on the CACFP (Section N), the welfare Act of 1996 made significant cuts to this essential program.

Federal funds (no state match):

FY 1996--$1.5 billion
FY 1995--$1.43 billion
FY 1994--$1.33 billion

Dependent Care Tax Credit

Families may claim an income tax credit for a portion of their child care expenses. The credit is on a sliding scale and lower-income families receive slightly larger credits. Taxpayers may claim a credit for up to $2,400 in dependent care expenses for one child, or $4,800 for two or more children. However, the federal Dependent Care Tax Credit is not refundable, so very low-income families owing little or no federal income tax do not receive any benefit. Nationally, only 13 percent of the credit in 1994 went to families with an adjusted gross income of less than $20,000 a year, 46 percent went to families with incomes between $20,000 and $50,000, and 41 percent to families with incomes above $50,000.[4] A 1990 study found that only 22 percent of employed mothers in families earning less than $15,000 used the Dependent Care Tax Credit, compared with 37 percent of employed mothers in families earning more than $50,000 annually.[5]

Federal funds claimed:

FY 1996--$2.8 billion
FY 1995--$2.7 billion
FY 1994--$2.5 billion

STATE ROLE

Investing in child care subsidies

Prior to the late 1980s, states varied enormously in the extent to which they invested state or federal funds in child care services, or even had significant programs in this area. While some states invested state funds in child care, and/or chose to use federal Social Services Block Grant funds for child care subsidies, many states spent relatively small amounts. As of 1990, for example, there were four states that essentially had no child care subsidy program for low-income working families, and there were huge discrepancies between states in their investments in child care and early education.[6]

State and federal investments in child care increased in 1988 and 1990 with the enactment of the Family Support Act (which created the JOBS child care program and Transitional Child Care program), the Child Care and Development Block Grant, and the At-Risk Child Care program. As of 1994, every state invested at least enough state funds to draw down most of the federal money available, although some states did not draw down all of their federal At-Risk Child Care funds. The extent to which states invest their own funds over and above any federal matching requirements varies widely.

Investing in other early education services

A number of states also have chosen to invest in early childhood education initiatives, either by supplementing the federal Head Start program with state funds to expand Head Start, or by setting up a new state initiative. In 1991-92, a CDF study found that 32 states invested a total of $665 million in prekindergarten programs, and served almost 290,000 children.[7] Twenty-six

states developed a separate state initiative, 14 states supplemented federal programs (primarily Head Start), and eight states took both approaches. While the total number of states with initiatives has not changed significantly since the early 1990's, some states have significantly increased their investments in prekindergarten. *[See section M for more information on state prekindergarten efforts.]*

Administering federal-state child care programs and setting key policies

States play a primary role in determining policies for all federal and state child care subsidy programs, though the federal government does provide some guidelines. For example, states have the responsibility to determine:

- **Eligibility criteria**--establishing income guidelines, and defining the activities in which parents must be engaged to qualify for assistance (such as being on cash assistance, working, going to school, getting job training, or job hunting).
- **Sliding fee scales**--determining how much parents must contribute towards the full child care fee charged by child care providers. States usually have the parent co-payment level vary by the parent's income level. The level of parent co-payments affects the extent to which states are helping make child care affordable, and the extent to which parents are helped to have a choice of good child care programs for their children.
- **Reimbursement rates**--determining the maximum fee that the *state* will agree to pay or reimburse child care providers. Accordingly, rates have a major impact on the type and quality of care families can access, and whether programs in their communities will be willing to serve children receiving child care assistance. Low rates can seriously limit parental choice.
- **Basic health and safety protections for publicly funded care**--As many states exempt large numbers of providers from being licensed or regulated, states must determine the basic health and safety provisions for providers who are exempt from state licensing requirements but receive *public funds*. States are not required to set such protections for children cared for by certain relatives.

[See Section K, Part 2, for more details on key state child care subsidy policies, and the importance they have for parents.]

Supporting services that improve quality or access to child care

States determine whether and how to allocate funds to improve the quality of care (for example by funding training, Resource & Referral agencies, and grants and loans) or to improve supply of care (for example, by funding start-up costs for programs in underserved areas or for underserved populations). Prior to 1988, some states invested their own funds in these efforts. The CCDBG, however, allowed these states to use federal funds to increase their efforts significantly, and allowed other states to begin to make such investments.

Setting and enforcing child care licensing standards to protect children

All states license at least some child care providers to ensure the basic health and safety of children in child care settings. However, there is wide variation in what providers they allow to be exempt from being licensed and monitored, the requirements they set for regulated programs, and the extent to which they enforce their requirements. For example:

- Many states exempt smaller family child care providers from any regulation, and some states exempt family child care providers serving as many as six, eight, or twelve children. Some states exempt child care programs run by religious organizations or schools, programs operating on a part-day basis, or drop-in programs such as those run in shopping malls or exercise clubs.

- States vary in the extent to which licensed programs have to even meet basic health and safety requirements--such as ensuring that children in child care have their basic immunizations, that child care providers have first aid and CPR training, that providers wash their hands before and after diapering and preparing food, and that there be small numbers of children per provider and in a single group.

- States also differ in the extent to which they visit programs to ensure that they comply with these requirements, with some states visiting programs quite infrequently, or--in the case of family child care providers--not at all.

LOCAL GOVERNMENT ROLE

Local governments most commonly set basic policies that affect the supply of child care, such as zoning requirements and fire and building codes. Some local governments invest in child care subsidies for low-income families, leverage funds from foundations or community groups to help families obtain care, support public-private partnerships and the involvement of the private sector, or fund quality enhancement activities such as training or grants and loans. Some examples include:

- Los Angeles has made a major commitment to after-school care through it's LA's BEST (Better Educated Students for Tomorrow) program. This program serves 4,400 children in elementary schools in low-income communities that have high levels of gang activity and crime. It provides a diverse array of services at no cost from 2:30 till 6:00. It relies on resources from city government, the school district, and the private sector. Independent evaluations have found that children enjoy school more and that their grades have gone up, while grades for comparable children who are not in the program have worsened over time.

- Allegheny County, Penn., is creating a unique public-private community partnership to expand families' access to high-quality early childhood programs. The Early Childhood Initiative (ECI) began in 1994, when the United Way of Allegheny County joined with the Howard Heinz Endowment to develop and manage a community-wide effort to improve the futures of the poorest children in the county, who are at greatest risk of school failure. By late 1996, the initiative had raised $50 million (over five years) by mobilizing foundations,

corporations, the local government, the health and human services system, educators, early childhood professionals, and the citizens of Pittsburgh and Allegheny County. Over the next five years, the initiative seeks to enroll 80 percent of eligible but unserved children in targeted neighborhoods (at least 7,600 children) in high-quality early childhood programs, including Head Start.

PRIVATE SECTOR ROLE

Some employers have invested in helping their employees with child care, believing that access to child care improves workers' productivity. However, as of the early 1990's, only 6,000 employers nationwide were estimated to offer child care benefits to their employees out of a total of 6 million employers.[8] Studies show that low-income families are much less likely to have such benefits than upper-income families.[9] Ways that employers can help families include:

- Helping to start or operate on-site or nearby child care centers for employees.
- Ensuring that employees have access to R&R services to help them find child care that meets their needs.
- Providing vouchers or subsidies to help families pay for child care.
- Offering Dependent Care Assistance Plans (DCAP), which allow employees to pay for child care expenses out of pretax earnings.
- Having flextime arrangements for parents, which facilitate child rearing.
- Adopting family leave policies.
- Holding seminars and workshops on child care and child care support services.
- Providing emergency care for ill children.
- Investing in child care support services such as training or family child care recruitment campaigns.

It is important that employers that hire low-wage workers realize that their employees may rely on public child care subsidies to be able to work. As funds for child care assistance for low-income working families become more scarce because of the increased demand for child care arising from the welfare Act, these employers need to become more concerned about subsidy issues. In Florida, for example, the state has set up a program where they will provide up to $2 million in matching funds for child care subsidies for low-wage workers to match funds invested by employers whose employees rely heavily on public subsidies.

ROLE OF COMMUNITY ORGANIZATIONS

A wide range of community organizations--such as religious groups, schools, non-profits, and volunteer organizations--also play an important role in providing child care in their communities. For example:

- About one-third of child care centers are in religious institutions, which help operate the programs or provide space to other community-based organizations to run them.
- Schools also are increasingly involved in child care for preschool and school-age children -- either operating programs directly or allowing other organizations to operate programs at school sites.
- Volunteer organizations such as the United Way often provide funding for scholarships and other supports to community-based child care programs.

March 7, 1997

Bright Beginnings is a public/private partnership designed to improve the lives of Colorado's children in the most critical period of development, prenatal to age three. Its purpose is to help make Colorado the best place for a child to be born and raised. Bright Beginnings is a program of the Colorado Children's Campaign.

how business can hire

Doug Price

BRIGHT BEGINNINGS

Bright Beginnings
Colorado Children's Campaign
225 East 16th Avenue, Suite B-300
Denver, CO 80203-1607
(303) 839-1580
http://www.unitedwaydenver.org/
(click on Bright Beginnings)

Work Place

3-24-97 Talked to Pam

CORRA

Colorado Office of Resource and Referral Agencies
7853 East Arapahoe Road, Suite 3300
Englewood, CO 80112
(303) 290-9088
http://www.sni.net/child_care/
e-mail: HN4770@handsnet.org

Rose Community Foundation

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CORRA

The Colorado Office of Resource and Referral Agencies, Inc. (CORRA) coordinates the statewide network of child care resource and referral agencies. In support of parental choice, local resource and referral agencies offer consumer education about all forms of child care services. Trained referral specialists are available to assist you in accessing the type of care you prefer by searching a computerized data base of all local licensed child care facilities, with over 50 fields of information on each provider. You can learn about hours of operation, location, costs, ages, environment, subsidies, options for special needs and accreditation. This information is updated and maintained by each agency. Call your local office for free assistance in your child care search or with questions about your child care provider.

FRONT RANGE
Adams
Arapahoe
Denver
Douglas
(303) 534-2625
(800) 288-3444

Boulder
(303) 441-3180

Jefferson
Clear Creek
Gilpin
Park
(303) 969-9500
(800) 436-3665

El Paso
Elbert
Teller
(719) 634-6765
(800) 379-6765

Larimer
(970) 484-1902
(970) 663-2288

Summit
Lake
(970) 668-1375

Eagle
Pitkin
(970) 845-5999

(970) 244-3829
(800) 530-2033

Grand
Jackson
Moffat
Routt
(970) 879-7330
(888) 879-7330

EASTERN PLAINS
Baca
Bent
Crowley
Otero
Prowers
(719) 549-3411
(800) 894-7707

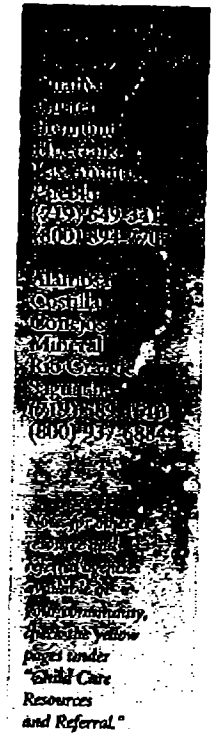
Cheyenne
Kiowa
Kit Carson
Lincoln
(719) 634-6765
(800) 379-6765

Logan
Phillips
Sedgwick
(970) 522-9411

Morgan
Yuma
(970) 848-3867
(800) 794-3867

Washington
(970) 345-2225

Weld
(970) 330-7964
(800) 559-5590



Community, Activities Yellow pages under "Child Care Resources and Referral."

BRIGHT BEGINNINGS / COLORADO CHILDREN'S CAMPAIGN
(303) 839-1580 or
http://www.unitedwaydenver.org/
(click on Bright Beginnings)

CORRA
(303) 290-9088 or
http://www.sni.net/child_care/
e-mail: HN4770@handsnet.org

DIVISION OF CHILD CARE
(303) 866-5958 or 1-800-799-5876
(child care regulations, licensing)

4-PARENT HELP LINE
(303) 620-4444 or 1-800-288-3444
(parenting information)

COLORADO ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
(303) 791-2772
(information on accreditation, standards for child care professionals, what to look for in early childhood education)

COLORADO ALLIANCE FOR QUALITY SCHOOL AGE PROGRAM
(303) 543-7125
(professional organization for those providing school-age child care)

FIRST IMPRESSIONS
(303) 866-2155
(Governor's early childhood initiative, information on early childhood professional standards)

Q&A CONSUMER TIPS ON CHILD CARE
(303) 754-1000
Press 3220: How to Select; 3222: Making Sure It's Right; 3223: Day Care Activities
(recorded messages through USWEST; check phone book for local number)

Employer Guide to Child Care, Developing Programs for Working Parents, Adolf and Rose, 1988, Praeger, New York.

Everybody's Children, Child Care as a Public Problem, William Gormley, Jr., 1995, Brookings, Washington, D.C.

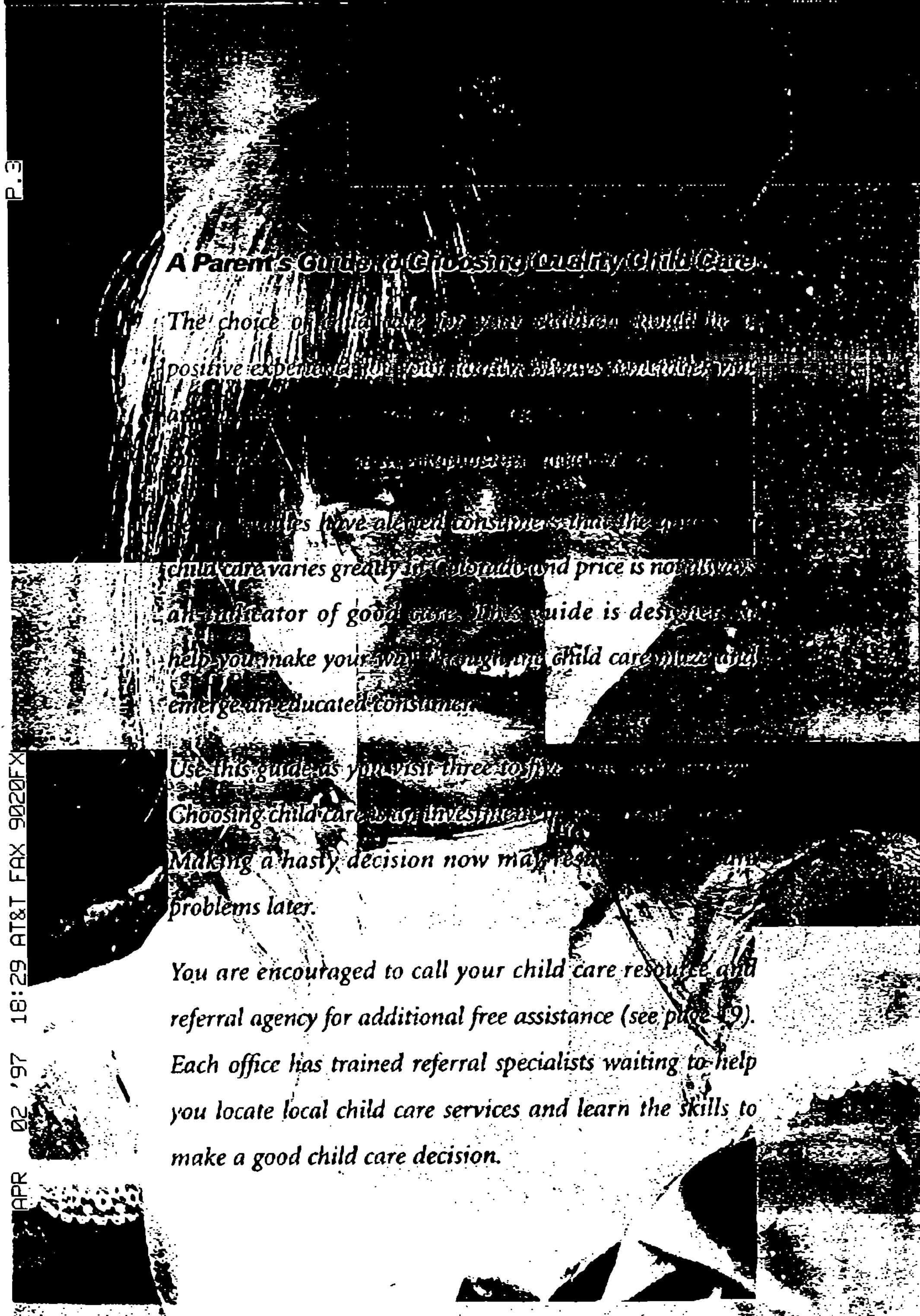
In-Home Care: Finding and Working with Caregivers in Your Home, 1993, Child Care, Inc., New York.

Why Child Care Matters: Preparing Young Children for A More Productive America, 1993, Committee for Economic Development, Washington, D.C.

Work-Family Programs, The Corporate Reference Guide, Ellen Galinsky, 1991, Families and Work Institute, New York.

Working Mother magazine, October and March issues evaluate child care by state and employer support.

You can
through the
maze



A Parent's Guide to Choosing Quality Child Care

The choice of child care for your children should be a positive experience [illegible]

[illegible] studies have alerted consumers that the quality of child care varies greatly in Colorado and price is not always an indicator of good care. This guide is designed to help you make your way through the child care maze and emerge an educated consumer.

Use this guide as you visit three to five [illegible] Choosing child care is an investment [illegible] Making a hasty decision now may result [illegible] problems later.

You are encouraged to call your child care resource and referral agency for additional free assistance (see page 19). Each office has trained referral specialists waiting to help you locate local child care services and learn the skills to make a good child care decision.

In-Home Care

What is it?

- You hire someone to work in your home to take care of your child.
- You set the hours, responsibilities and compensation for the job.

Training / Education

- Determined by individual nanny agencies; no statewide standard.

Pros and Cons

- Convenient and flexible.
- Expensive.
- Offers fewer opportunities for children to socialize with others.
- You, as the employer, are responsible for background checks and Social Security, income and other applicable taxes.
- When provider is sick, other arrangements have to be made.
- Trained and experienced providers are in short supply.

Access

- Providers can be found through personal networking, advertisements, employment agencies or nanny schools.

Regulation

- Totally unregulated in Colorado.

Family Child Care

What is it?

- An arrangement in which your child is cared for in someone else's (not a relative) home.

Training / Education

- To obtain initial regular license: 12 hours of Department of Human Services approved training plus 6 hours of First Aid and CPR.
- More intensive training is required for infant/toddler care.
- Continuing education: 6 hours of training every year.
- Minimum age = 18.

Pros and Cons

- Usually a small group of multi-aged children.
- Allows you to hire the specific individual who will care for your child.
- May offer flexibility for evening, weekend and respite care.
- Offers a home environment.
- May include a child development or preschool curriculum.
- A single adult is usually alone with the group of children.
- When provider is sick or on vacation, other arrangements have to be made.

Access

- Family child care providers can be found through local child care resource and referral agencies, networking, local family child care associations and newspaper ads.

Regulation

- Regulated by the Colorado Department of Human Services, Division of Child Care.
- A regular license allows for a maximum of six full-time children plus two school-age attending full-day school.
- Caregivers must meet different licensing requirements for "infant/toddler home," "large child care home" or regular license with 3 children under two years old.

Child Care Centers and Preschools

What is it?

- An arrangement where care is provided in a setting similar to a school or kindergarten. (Includes infant and/or toddler nurseries.)
- May be several classrooms.
- Children are usually grouped by age.

Training / Education

- Teacher (Group Leader) and Director: a combination of work experience and college course work.
- All personnel in contact with children must have a minimum of 6 hours per year of training in specified areas.
- Minimum age: aide = 16, teacher = 18.

Pros and Cons

- Child care may be combined with religious or other specific instruction.
- Last minute closures due to provider illness/emergency are unlikely.
- Usually offers a child development or preschool curriculum.
- You are contracting with an organization, not an individual.
- High turnover of staff is common.
- Some children may not adapt well to large group settings.
- Infant/toddler care may not be offered.

Access

- Child care centers and preschools can be found through local child care resource and referral agencies, yellow pages, networking and newspaper ads.

Regulation

- Regulated by the Colorado Department of Human Services, Division of Child Care.
- Regulations define the group size and the adult:child ratio.

School Age Child Care

What is it?

- An arrangement offering care for school-age children before and after school hours, on non-school days during the school year and during the summer.
- May be offered by family child care, child care centers, public and private schools, community recreation programs, YMCAs and others.

Training / Education

- Director: a combination of work experience and college course work.
- Other staff: minimum age 16 and varied work experience.

Pros and Cons

- May be located at the school and offer care during summer and non-school days.
- Many programs transport children to and from school.
- Generally serves children school age through age 12.

Access

- School age child care can be found through local child care resource and referral agencies, yellow pages, networking and newspaper ads.

Regulation

- Regulated by the Colorado Department of Human Services, Division of Child Care.
- Regulations define group size and adult:child ratio.

[illegible], Summer, and Non-Traditional Hours of Care

Many families do not need or want full-week or full-day child care. However, locating part-time or "off-hour" care or care for youth with special needs can be challenging. Networking with friends, neighbors and business contacts can be a good beginning. The local child care resource and referral may have a list of other families needing part-time care and may be able to refer you to potential partners. You should begin planning for summer care in early spring. Your local child care resource and referral maintains a list of community programs, and many local newspapers run listings.

[illegible] children do all day?

In both family child care and center care, children should be provided with a balanced variety of activities. A typical day in child care should include:

- nutritious meals and snacks
- large muscle activities, either indoors or outdoors
- rest time
- structured art, science and nutrition activities
- unstructured art activities
- story time
- listening to records and tapes, learning songs, rhymes and finger plays
- building with blocks
- playing make-believe
- free play, where children can choose their own activities

Many child care providers will also be able to include field trips to local interest spots and to the public library.

Colorado State Regulations for Staff/Child Ratios in Child Care Centers

[illegible]

Ages of Children	Number of Staff
6 weeks to 18 months (infants)	1 staff member to 5 infants
12 months to 36 months	1 staff member to 5 toddlers
24 months to 36 months	1 staff member to 7 toddlers
2½ years to 3 years	1 staff member to 8 children
3 years to 4 years	1 staff member to 10 children
4 years to 5 years	1 staff member to 12 children
5 years and older	1 staff member to 15 children
mixed age group 2 to 6 years	1 staff member to 10 children

After you have gotten 3-5 names of providers from a child care resource and referral agency, friends, newspapers or the yellow pages, call ahead and make an appointment to meet with the provider or the center director and tour the facility. Observation is the single most important guide to choosing good child care. Mid-morning is usually a good time to tour. Ask when the children will be napping, outside or otherwise unable to be observed with a teacher or provider.

[redacted]

- Is the provider's license posted and current?
- Does the environment appear safe for children?
- Is the interaction between child and caregiver one of mutual respect and enjoyable for all?
- Do the teachers get down to the children's eye level when talking?
- Are teachers sitting with the children, rather than at desks away from the children?
- Is there sufficient equipment for all children to play with?
- Is there an adult within eyesight of all the children?
- Does the group reflect the community's diversity?
- Is a schedule of daily activities posted or available?
- Are the activities varied to include outdoor playtime and indoor quiet time?
- Are there smoke alarms and an emergency route posted?
- Are menus posted? If children bring their lunch, are there suggestions for lunches?

[redacted]

- Do the children sound happy and involved?
- Is the sound level appropriate for the number of children in the room, not too loud or too soft?
- Does the caregiver listen closely to each child and use positive language when speaking with the children?

[redacted]

- Children have stability in staff.
- Children have a choice of activities and teachers follow the children's lead in directed activities.
- Room set-up is warm and inviting; furniture is child-sized and materials are at child's level.
- Outdoor play space is fenced and has safe surfaces, play equipment, ample room and sunny and shaded areas.
- Health & safety issues are a priority.
- Supplies are adequate so children may play alone or share as they desire.
- Age appropriate materials are evident and in good repair.
- All children are active and involved in activities.

- Is the facility accredited by one of the national accreditation services?
- What is the training and experience of the caregiver and the center staff?
- Does the training include first aid and CPR?
- Are copies of licensing inspection reports from previous years, including fire and health department reports, available?
- What additional fees are requested of you?
- What communication about your child can you expect from the caregiver on an ongoing basis?
- Does the caregiver inform you of both positive and negative happenings with your child?
- Will the facility provide you with a list of current parents you can contact for references?
- What opportunities are there for parents to participate in the program?
- On what dates is the site closed, i.e., for holidays or staff training?
- Does the caregiver offer alternative care for times when the program is closed?
- Do children go on field trips? If so, who drives and what vehicles are used?
- How does the caregiver deal with behavior problems?
- What happens in case of a medical emergency with your child?
- How does the caregiver handle medicine prescribed for children?
- How much, if any, time do children spend watching television or videos?

- Does the number of children fall within the licensing guidelines?
- Are staff:child ratios met or exceeded?
- Are you comfortable with the group size?
- Will your child work well with this number of children?

- Health and safety concerns are not addressed, for example, hands are not washed after diapering and before meals, dangerous objects are not in locked cabinets, or playground equipment is not safe.
- The license is expired or no license is posted.
- References from current consumers are not available.

Licensing

The State of Colorado licenses child care facilities to reduce risks to children in out-of-home care and to verify compliance with basic health and safety standards. This license cannot and does not guarantee quality, but it does ensure that the provider has met specific requirements, including training and a criminal background check. Purchasing child care services from an unlicensed caregiver may increase the risk to your child's health, safety and development.

All licensed child care programs must make the following information readily available:

- **Current license**
  "Permanent": the most common; an ongoing license.
  "Provisional": issued to new facilities when a minor licensing issue exists.
  "Probationary": issued when a serious compliance issue exists.

- **Last inspection showing date and findings**
  Colorado operates a "risk-based" inspection policy enabling licensing specialists to focus their attention on helping higher risk facilities come into licensing compliance. Those needing the most attention may be visited every six months or more; those with a history of compliance may be visited every three years. This is not meant to be a rating system of facilities, but rather a method of making the most efficient use of limited resources. Parents need to monitor their child care facility as well and to remain involved in their child's care. (See page 14, "After You Make Your Choice.")

- **The maximum number of children assigned to each room**

- **The adult:child ratio for each room**

Provider Files

To make an informed decision, you are encouraged to obtain information from the state Division of Child Care:

Division of Child Care
Colorado Department of Human Services
1575 Sherman Street, 1st Floor
Denver, CO 80203
Phone: (303) 866-5958 or 1-800-799-5876

You can review documents from providers' licensing files either in person or by mail.

1. To review the file in person, call the Division of Child Care at least 72 hours in advance to make an appointment.
2. To review the file by mail, call the Division of Child Care to obtain a request form for the files you want to review. The documents will be sent to you within approximately two weeks. The charge is $.50 per page.

You will receive:

- past inspection records
- investigation reports if they exist
- copies and dates of any complaints (not just the number of complaints)
- letters of recommendation from other consumers.

Many child care providers give parents a written report on their child's activities each day. For infants, the report may include diaper changes and feeding times. For older children, the report may include the child's special accomplishments or what the child enjoyed doing that day. These reports help parents monitor their child's care and development.

Below is a sample report. If your child care provider is not giving you this kind of information daily, you might encourage her/him to use this form.

Your Child's Day in "Happy Child" Child Care Center

Date: _____

Child's Name: _____

Supplies needed: _____

Special instructions: _____

Activities / special accomplishments: _____

_____

Meals:

Breakfast: _____ ATE: very well ☐ moderately ☐ poorly ☐

Lunch: _____ ATE: very well ☐ moderately ☐ poorly ☐

Snack: _____ ATE: very well ☐ moderately ☐ poorly ☐

Bottles / Cups:

	Time	Amount	(Circle One)			
1.			Water	Juice	Milk	Formula
2.			Water	Juice	Milk	Formula
3.			Water	Juice	Milk	Formula
4.			Water	Juice	Milk	Formula
5.			Water	Juice	Milk	Formula
6.			Water	Juice	Milk	Formula

Sat on Potty / Diaper Change:

	Time					
1.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
2.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
3.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
4.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
5.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
6.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
7.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	
8.		Urine / B.M.:	firm ☐	soft ☐	loose ☐	

Naps:

	Time Asleep — Time Awake
1.	
2.	
3.	

Other Notes, Problems or Questions:

_____

_____

_____

Licensing monitors compliance with basic standards of health and safety only. Because the state does not monitor child care providers on a daily basis, you as the consumer of services must remain alert to your child's environment each and every day. Make unannounced visits periodically.

If you have questions about practices or policies you observe in a child care setting, you are encouraged to contact your local child care resource and referral agency.

Formal complaints about a child care provider can be filed with the Division of Child Care. You must give your name and daytime phone number in order to file a complaint, but during the complaint investigation your name will not be revealed to the caregiver.

Good, stable child care may be hard to find. Treating caregivers considerately and acknowledging the value of their work encourages them to stay in business. Keep in mind that the provider is running a small business. Paying on time and honoring the agreed upon schedule for dropping off and picking up your child will go a long way toward maintaining a positive relationship with the caregiver.

Changing Child Care Providers

Change will be an inevitable part of your child care experience as your child grows from infancy through the school-age years. Whenever change occurs you will have both practical and emotional issues to handle.

Talk with your child about the change before it happens, but not too far in advance. Let your child know why the change is necessary.

If appropriate, inform the caregiver of the upcoming change. If the parting is on a positive note, plan a get-together with the caregiver, you and your child. Give your child an opportunity to express his feelings about the change.

Determining When Change Is Necessary

Consistency in a child care setting is important to a child's sense of security. However, there are times when the current care situation must be changed for the child's health, safety or developmental reasons. Listen to your child regarding their care setting.

If you can't answer yes to most or all of

Checklist From a Child's Point of View:

- ☐ There are lots of fun things to play with.
- ☐ My teacher reads stories to us and there are books for me to look at on my own.
- ☐ I make new friends at child care.
- ☐ My teacher is nice to me.
- ☐ We have good things to eat for snacks and lunch.
- ☐ I have a cozy place to rest when I am tired.
- ☐ My teacher helps me feel better when I am sad.
- ☐ I get to play outside.
- ☐ I learn new things all the time.
- ☐ I feel safe here.
- ☐ I have opportunities to play with others and by myself.

Checklist From a Child's Point of View

- ☐ My child talks favorably about the provider.
- ☐ My family's values are reflected in the program.
- ☐ My family's cultural background is honored.
- ☐ Employees both act and speak positively about their work environment.
- ☐ My child does not exhibit an unexplained change in behavior.
- ☐ Cleanliness and hand-washing are evident.

Many employers have found that assisting families with their child care needs is a financial benefit to the company. Check with your employer's human resources or personnel office to determine what benefits might be available to you. Some employers offer flexible work schedules, flexible work place, the identification of pre-tax dollars allocated to the purchase of child care, enhanced resource and referral services and child care services.

If your employer has not begun offering assistance and you feel there is a need for assistance, you might find support by:

- Talking with other employees.
- Finding out what other employees are doing about child care.
- Speaking with your union representative.
- Looking for allies within the company.
- Giving other employees an opportunity to talk about their child care problems.
- Encouraging other employees to let managers know about their child care problems.
- Working through the company newsletter.
- Taking advantage of the suggestion box.
- Making questions about child care a part of company surveys.
- Working with your employer to form an employee/employer task force to study and make recommendations about child care benefit options and dependent care policies.

Subsidies

Many communities have subsidized child care services available on a limited basis. While most of these are through local county departments of human services serving low wage workers, other programs do exist. Contact your local child care resource and referral agency or United Way for information.

(Make copies of this checklist to bring with you when you visit a child care provider.)

Center/provider name: _____

Contact: _____

Phone: _____

Address: _____

_____

- ☐ clean
- ☐ good supply of age appropriate toys and materials
- ☐ warm, welcoming atmosphere
- ☐ safe
- ☐ plenty of space indoors and outdoors
- ☐ healthy, nutritious food
- ☐ adults treat the children with respect and consideration
- ☐ adults treat parents with respect and consideration
- ☐ license is current and posted
- ☐ caregivers are qualified to care for young children
- ☐ the adult:child ratio is met
- ☐ variety of activities
- ☐ children do not watch television or videos for extended periods of time
- ☐ positive discipline is used
- ☐ unannounced visits are encouraged

Comments: _____

_____

_____